UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly Period Ended June 30, 2016

or

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from _____ to _____

Commission File Number 000-53952

BLACK RIDGE
OIL & GAS

(Exact name of registrant as specified in its charter)

Nevada	**27-2345075**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

110 North 5th Street, Suite 410, Minneapolis, Minnesota 55403
(Address of principal executive offices) (Zip Code)

Issuer's telephone Number: **(952) 426-1241**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No [_]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[_]	Accelerated filer	[_]
Non-accelerated filer (Do not check if a smaller reporting company)	[_]	Smaller reporting company	[X]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [_] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

The number of shares of registrant's common stock outstanding as of August 12, 2016 was 47,979,990.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

BLACK RIDGE OIL & GAS, INC.
CONDENSED BALANCE SHEETS

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,038,567	$ 228,194
Prepaid expenses	67,621	–
Current assets from discontinued operations	–	6,229,646
Total current assets	1,106,188	6,457,840
Property and equipment:		
Property and equipment	139,004	139,004
Less accumulated depreciation	(105,221)	(97,857)
Total property and equipment, net	33,783	41,147
Investment in Black Ridge Holding Company, LLC	52,853	–
Non-current assets from discontinued operations	–	31,808,230
Total assets	$ 1,192,824	$ 38,307,217
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current liabilities from discontinued operations	$ –	$ 68,312,897
Accounts payable	114,106	–
Due to Black Ridge Holding Company, LLC	967,141	–
Accrued expenses	3,404	–
Total current liabilities	1,084,651	68,312,897
Non-current liabilities from discontinued operations	–	368,089
Total liabilities	1,084,651	68,680,986
Commitments and contingencies (See note 17)	–	–
Stockholders' equity (deficit):		
Preferred stock, $0.001 par value, 20,000,000 shares authorized, no shares issued and outstanding	–	–
Common stock, $0.001 par value, 500,000,000 shares authorized, 47,979,990 shares issued and outstanding	47,980	47,980
Additional paid-in capital	34,591,062	34,275,414
Accumulated deficit	(34,530,869)	(64,697,163)
Total stockholders' equity (deficit)	108,173	(30,373,769)
Total liabilities and stockholders' equity (deficit)	$ 1,192,824	$ 38,307,217

See accompanying notes to financial statements.

BLACK RIDGE OIL & GAS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Management fee income	$ 49,451	$ –	$ 49,451	$ –
Total revenues	49,451	–	49,451	–
Operating expenses:				
General and administrative	614,661	645,837	1,299,569	1,332,724
Depreciation and amortization	3,479	4,009	7,364	8,276
Total operating expenses	618,140	649,846	1,306,933	1,341,000
Net operating income (loss)	(568,689)	(649,846)	(1,257,482)	(1,341,000)
Other income (expense):				
Other income	–	6,707	–	6,707
Gain on debt restructuring	41,621,150	–	41,621,150	–
Total other income (expense)	41,621,150	6,707	41,621,150	6,707
Income (loss) before provision for income taxes	41,052,461	(643,139)	40,363,668	(1,334,293)
Provision for income taxes	–	–	–	–
Income (loss) from continuing operations, net of income taxes	41,052,461	(643,139)	40,363,668	(1,334,293)
Loss from discontinued operations, net of income taxes	(2,970,654)	(18,026,499)	(10,197,374)	(18,608,281)
Net income (loss)	$ 38,081,807	$ (18,669,638)	$ 30,166,294	$ (19,942,574)
Weighted average common shares outstanding - basic	47,979,990	47,979,990	47,979,990	47,979,990
Weighted average common shares outstanding - fully diluted	48,058,679	47,979,990	48,056,573	47,979,990
Net income (loss) per common share - basic	$ 0.79	$ (0.39)	$ 0.63	$ (0.42)
Net income (loss) per common share - fully diluted	$ 0.79	$ (0.39)	$ 0.63	$ (0.42)

See accompanying notes to financial statements.

BLACK RIDGE OIL & GAS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 30,166,294	$ (19,942,574)
Loss from discontinued operations, net of income taxes	(10,197,374)	(18,608,281)
Income (loss) from continuing operations, net of income taxes	40,363,668	(1,334,293)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,364	8,276
Gain on debt restructuring	(41,621,150)	–
Common stock options issued to employees and directors	315,648	313,751
Decrease (increase) in current assets:		
Prepaid expenses	(30,521)	(5,470)
Increase (decrease) in current liabilities:		
Accounts payable	87,892	18,553
Due to Black Ridge Holding Company, LLC	967,141	–
Accrued expenses	4,114	30,441
Net cash provided by (used in) operating activities from continuing operations	94,156	(968,742)
Net cash provided by operating activities from discontinued operations	3,829,723	6,512,822
Net cash provided by operating activities	3,923,879	5,544,080
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used in investing activities from continuing operations	–	–
Net cash used in investing activities from discontinued operations	(4,763,506)	(12,574,179)
Net cash used in investing activities	(4,763,506)	(12,574,179)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash provided by financing activities from continuing operations	–	–
Net cash provided by financing activities from discontinued operations	1,650,000	7,150,000
Net cash provided by financing activities	1,650,000	7,150,000
NET CHANGE IN CASH	810,373	119,901
CASH AT BEGINNING OF PERIOD	228,194	94,682
CASH AT END OF PERIOD	$ 1,038,567	$ 214,583
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 1,429,564	$ 2,174,153
Income taxes paid	$ –	$ –
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Investment in Black Ridge Holding Company, LLC	$ (41,568,297)	$ –
Net change in accounts payable for purchase of oil and gas properties	$ (3,744,487)	$ (161,409)
Capitalized asset retirement costs, net of revision in estimate	$ 4,737	$ 41,695

See accompanying notes to financial statements.

BLACK RIDGE OIL & GAS, INC.
Notes to Condensed Financial Statements
(Unaudited)

Note 1 – Organization and Nature of Business

Effective April 2, 2012, Ante5, Inc. changed its corporate name to Black Ridge Oil & Gas, Inc., and continues to be quoted on the OTCQB under the trading symbol "ANFC". Black Ridge Oil & Gas, Inc. (formerly Ante5, Inc.) (the "Company") became an independent company in April 2010. We became a publicly traded company when our shares began trading on July 1, 2010. Since October 2010, we had been engaged in the business of acquiring oil and gas leases and participating in the drilling of wells in the Bakken and Three Forks trends in North Dakota and Montana.

On June 21, 2016 we closed on a debt restructuring transaction with our secured lenders as described in Note 4 – Debt Restructuring. Following the transaction, our focus is on managing the oil and gas assets in which we will continue to have an indirect minority interest. In addition, we will continue to pursue distressed asset acquisitions in the Bakken and/or Three Forks and other formations that may be acquired with capital from our secured lenders as part of the restructuring terms, existing joint venture partners or other capital providers.

Note 2 – Basis of Presentation and Significant Accounting Policies

The interim condensed financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to not make the information presented misleading.

These statements reflect all adjustments, which in the opinion of management, are necessary for fair presentation of the information contained therein. Except as otherwise disclosed, all such adjustments are of a normal recurring nature. It is suggested that these interim condensed financial statements be read in conjunction with the audited financial statements for the year ended December 31, 2015, which were included in our Annual Report on Form 10-K. The Company follows the same accounting policies in the preparation of interim reports.

Reclassifications
In the current year, the Company classified assets and liabilities subject to our restructuring transaction outlined in Note 4 – Restructuring as assets and liabilities from discontinued operations in the balance sheet and income, expense and cash flows from the restructured operations are shown as net income and cash flows from discontinued operations. For comparative purposes, amounts in the prior periods have been reclassified to conform to current year presentation.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Environmental Liabilities
The oil and gas industry is subject, by its nature, to environmental hazards and clean-up costs. At this time, management knows of no substantial losses from environmental accidents or events which would have a material effect on the Company.

Cash and Cash Equivalents
Cash equivalents include money market accounts which have maturities of three months or less. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Cash equivalents are stated at cost plus accrued interest, which approximates market value. No cash equivalents were on hand at June 30, 2016 and December 31, 2015.

Cash in Excess of FDIC Insured Limits
The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC) up to $250,000 and $500,000, respectively, under current regulations. The Company had approximately $538,567 and $-0- in excess of FDIC and SIPC insured limits at June 30, 2016 and December 31, 2015, respectively. The Company has not experienced any losses in such accounts.

Advances to Operators

The Company participates in the drilling of crude oil and natural gas wells with other working interest partners. Due to the capital intensive nature of crude oil and natural gas drilling activities, the working interest partner responsible for conducting the drilling operations may request advance payments from other working interest partners for their share of the costs. The Company expects such advances to be applied by working interest partners against joint interest billings for its share of the drilling operations within 120 days from when the advance is paid.

Debt Issuance Costs

Costs relating to obtaining our revolving credit facilities are capitalized and amortized over the term of the related debt using the straight-line method. The unamortized balance of debt issuance costs at June 30, 2016, and December 31, 2015, was $-0-. Amortization of debt issuance costs charged to interest expense were $-0- and $190,780 for the six months ended June 30, 2016 and 2015, respectively. Interest expense related to debt issuance costs is reflected as part of loss from discontinued operations on the statement of operations. When a loan is paid in full or becomes due on demand due to a default on the loan any unamortized financing costs are removed from the related accounts and charged to interest expense.

Website Development Costs

The Company accounts for website development costs in accordance with ASC 350-50, “Accounting for Website Development Costs” (“ASC 350-50”), wherein website development costs are segregated into three activities:

1) Initial stage (planning), whereby the related costs are expensed.

2) Development (web application, infrastructure, graphics), whereby the related costs are capitalized and amortized once the website is ready for use. Costs for development content of the website may be expensed or capitalized depending on the circumstances of the expenditures.

3) Post-implementation (after site is up and running: security, training, admin), whereby the related costs are expensed as incurred. Upgrades are usually expensed, unless they add additional functionality.

We have capitalized a total of $56,660 of website development costs from inception through June 30, 2016. We depreciate our website development costs on a straight line basis over the estimated useful life of the assets, which is currently three years. We have recognized depreciation expense on these website costs of $-0- and $257 for the six months ended June 30, 2016 and 2015, respectively. As of June 30, 2016, all website development costs have been fully depreciated.

Income Taxes

The Company recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax basis of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered. The Company provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

Basic and Diluted Loss Per Share

The basic net loss per share is computed by dividing the net loss (the numerator) by the weighted average number of common shares outstanding for the period (the denominator). Diluted net loss per common share is computed by dividing the net loss by the weighted average number of common shares and potential common shares outstanding (if dilutive) during each period. Potential common shares include stock options, warrants and restricted stock. The number of potential common shares outstanding relating to stock options, warrants and restricted stock is computed using the treasury stock method.

The reconciliation of the denominators used to calculate basic EPS and diluted EPS for the three and six months ended June 30, 2016 and 2015 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Weighted average common shares outstanding – basic	47,979,990	47,979,990	47,979,990	47,979,990
Plus: Potentially dilutive common shares:				
Stock options and warrants	78,689	–	76,583	–
Weighted average common shares outstanding – diluted	48,058,679	47,979,990	48,056,573	47,979,990

Stock options and warrants excluded from the calculation of diluted EPS because their effect was anti-dilutive were 9,954,875 and 16,275,542 for the three months ended June 30, 2016 and 2015, respectively, and 9,954,875 and 16,275,542 for the six months ended June 30, 2016 and 2015, respectively.

Fair Value of Financial Instruments

Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of cash, accounts payable and accrued expenses reported on the balance sheets are estimated by management to approximate fair value primarily due to the short term nature of the instruments. The Company had no items that required fair value measurement on a recurring basis.

Property and Equipment

Property and equipment that are not oil and gas properties are recorded at cost and depreciated using the straight-line method over their estimated useful lives of three to seven years. Expenditures for replacements, renewals, and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Long-lived assets, other than oil and gas properties, are evaluated for impairment to determine if current circumstances and market conditions indicate the carrying amount may not be recoverable. The Company has not recognized any impairment losses on non-oil and gas long-lived assets. Depreciation expense was $7,364 and $8,276 for the six months ended June 30, 2016 and 2015, respectively.

Revenue Recognition

The Company recognizes oil and gas revenues from its interests in producing wells when production is delivered to, and title has transferred to, the purchaser and to the extent the selling price is reasonably determinable. The Company uses the sales method of accounting for gas balancing of gas production and would recognize a liability if the existing proven reserves were not adequate to cover an imbalance situation. Oil and gas revenues are reflected as part of discontinued operations on the statement of operations.

Asset Retirement Obligations

The Company records the fair value of a liability for an asset retirement obligation in the period in which the well is spud or the asset is acquired and a corresponding increase in the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. The capitalized cost and asset retirement obligation as of December 31, 2015 and the expense related to accretion of the discount on the asset retirement liability are reflected as part of discontinued operations on the balance sheet and statement of operations.

Full Cost Method

The Company follows the full cost method of accounting for oil and gas operations whereby all costs related to the exploration and development of oil and gas properties are initially capitalized into a single cost center ("full cost pool"). Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling directly related to acquisition, and exploration activities. Internal costs that are capitalized are directly attributable to acquisition, exploration and development activities and do not include costs related to the production, general corporate overhead or similar activities. Costs associated with production and general corporate activities are expensed in the period incurred. Capitalized costs are summarized as follows for the six months ended June 30, 2016 and 2015, respectively:

	Six Months Ended June 30,	
	2016	2015
Capitalized Certain Payroll and Other Internal Costs	$ –	$ –
Capitalized Interest Costs	7,219	295,331
Total	$ 7,219	$ 295,331

Proceeds from sales of proved properties will generally be credited to the full cost pool, with no gain or loss recognized, unless such a sale would significantly alter the relationship between capitalized costs and the proved reserves attributable to these costs. A significant alteration would typically involve a sale of 20% or more of the proved reserves related to a single full cost pool. The Company assesses all items classified as unevaluated property on a quarterly basis for possible impairment or reduction in value. The assessment includes consideration of the following factors, among others: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to amortization.

Capitalized costs associated with impaired properties and properties having proved reserves, estimated future development costs, and asset retirement costs under FASB ASC 410-20-25 are depleted and amortized on the unit-of-production method based on the estimated gross proved reserves as determined by independent petroleum engineers. The costs of unproved properties are withheld from the depletion base until such time as they are either developed or abandoned.

Capitalized costs of oil and gas properties (net of related deferred income taxes) may not exceed an amount equal to the present value, discounted at 10% per annum, of the estimated future net cash flows from proved oil and gas reserves plus the cost of unproved properties (adjusted for related income tax effects). Should capitalized costs exceed this ceiling, impairment is recognized. The present value of estimated future net cash flows is computed by applying the arithmetic average first day price of oil and natural gas for the preceding twelve months to estimated future production of proved oil and gas reserves as of the end of the period, less estimated future expenditures to be incurred in developing and producing the proved reserves and assuming continuation of existing economic conditions. Such present value of proved reserves' future net cash flows excludes future cash outflows associated with settling asset retirement obligations. Should this comparison indicate an excess carrying value, the excess is charged to earnings as an impairment expense.

As a result of currently prevailing low commodity prices and their effect on the proved reserve values of properties throughout 2015 and 2016, we recorded non-cash ceiling test impairments of $5,219,000 and $21,639,000 for the six months ended June 30, 2016 and 2015, respectively. The impairment charges affected our reported net income but did not reduce our cash flow. The impairment charges are reflected as part of discontinued operations on the statement of operations.

Stock-Based Compensation

The Company adopted FASB guidance on stock based compensation upon inception at April 9, 2010. Under FASB ASC 718-10-30-2, all share-based payments to employees, including grants of employee stock options, are recognized in the income statement based on their fair values. Expense related to common stock and stock options issued for services and compensation totaled $315,648 and $313,751 for the six months ended June 30, 2016 and 2015, respectively, using the Black-Scholes options pricing model and an effective term of 6 to 6.5 years based on the weighted average of the vesting periods and the stated term of the option grants and the discount rate on 5 to 7 year U.S. Treasury securities at the grant date. In addition, $-0- and $321,763 of warrant related debt discounts were amortized during the six months ended June 30, 2016 and 2015, respectively, and treated as interest expense and reflected as part of discontinued operations on the statement of operation. The fair value of warrants is determined similar to the method used in determining the fair value of employee stock options and the fair value is amortized over the life of the related credit facility and accelerated in the event of termination of the related credit facility or if the related credit facility becomes payable on demand due to a default on the related credit facility. The amortization of the debt discount attributable to the warrants was accelerated in 2015 to fully amortize the discount as of December 31, 2015 when the related debt became payable on demand due to a default on the related debt. As part of the debt restructuring all related warrants were retired and cancelled.

Uncertain Tax Positions

Effective upon inception at April 9, 2010, the Company adopted standards for accounting for uncertainty in income taxes. These standards prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These standards also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Various taxing authorities may periodically audit the Company's income tax returns. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income to various tax jurisdictions. In evaluating the exposures connected with these various tax filing positions, including state and local taxes, the Company records allowances for probable exposures. A number of years may elapse before a particular matter, for which an allowance has been established, is audited and fully resolved. Black Ridge Oil & Gas, Inc. has not yet undergone an examination by any taxing authorities.

The assessment of the Company's tax position relies on the judgment of management to estimate the exposures associated with the Company's various filing positions.

Derivative Instruments and Price Risk Management

The Company enters into derivative contracts, including price swaps, caps and floors, which require payments to (or receipts from) counterparties based on the differential between a fixed price and a variable price for a fixed quantity of crude oil without the exchange of underlying volumes. The notional amounts of these financial instruments are based on a portion of the expected production from existing wells. The Company has, and may continue to use exchange traded futures contracts and option contracts to hedge the delivery price of crude oil at a future date.

Any realized gains and losses are recorded to gain (loss) on settled derivatives and unrealized gains or losses as a result of mark-to market valuations are recorded to gain (loss) on the mark-to-market of derivatives on the statements of operations.

Recent Accounting Pronouncements

New accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") that are adopted by the Company as of the specified effective date. If not discussed below, management believes there have been no developments to recently issued accounting standards, including expected dates of adoption and estimated effects on our financial statements, from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17, Balance Sheet Classification of Deferred Taxes, which eliminates the current requirement to present deferred tax liabilities and assets as current and noncurrent amounts in a classified statement of financial position. Instead, entities will be required to classify all deferred tax assets and liabilities as noncurrent in a statement of financial position. This standard is effective financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early application is permitted. The Company elected early application of this ASU as of December 31, 2015, and has applied its provisions prospectively.

In April 2015, the FASB issued ASU No. 2015-03, *Interest–Imputation of Interest (Subtopic 835-30)* ("ASU 2015-03"), which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. It is effective for annual reporting periods beginning after December 15, 2016. The new guidance will be applied retrospectively to each prior period presented. As of January 1, 2016, the Company has adopted of ASU 2015-03.

Note 3 – Going Concern

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40)". The Company chose to adopt this pronouncement in 2015 due to the applicability to our current condition. The new guidance addresses management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and in certain circumstances to provide related footnote disclosures.

As shown in the accompanying financial statements, the Company has incurred losses from operations resulting in an accumulated deficit of ($34,530,869) as of June 30, 2016, which was reduced in the current quarter by a gain on debt restructuring of $41,621,150. While the debt restructuring outlined in Note 4 – Debt Restructuring leaves the Company debt free, it also eliminated the asset base from which the Company derived the majority of its cash flow. The management fees from the management agreement entered into as part of the debt restructuring should be sufficient to cover the Company's overhead costs for the balance of 2016. However, the management agreement can be cancelled by either party without penalty after January 1, 2017. While the Company is actively working to secure additional joint ventures with assets to manage, to date the Company has not found other sources of revenue. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. These financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 4 – Debt Restructuring

On March 29, 2016, the Company entered into an Asset Contribution Agreement with Black Ridge Holding Company, LLC, a Delaware limited liability company ("BRHC") which was recently formed by the Company to contribute and assign to BRHC, all of the Company's (i) oil and gas assets (including working capital and tangible and intangible assets) (the "Assets"), (ii) outstanding balances under that certain Credit Agreement between the Company, as borrower, and Cadence Bank, N.A. ("Cadence"), as lender (the "Cadence Credit Facility") and the outstanding balances under that certain Credit Agreement between the Company, as borrower, and the several banks and other financial institutions or entities from time to time parties thereto (the "Chambers"), and Chambers, as administrative agent (the "Chambers Credit Facility") and (iii) all current liabilities related to the Assets, in exchange for 5% of the issued and outstanding Class A Units (the "Class A Units") in BRHC (the "Asset Contribution"). On March 29, 2016, affiliates of Chambers Energy Management, LP ("Chambers") (specifically, Chambers Energy Capital II, LP and CEC II TE, LLC (collectively, the "Chambers Affiliates")) entered into a Debt Contribution Agreement between BRHC and the Chambers Affiliates, pursuant to which BRHC will issue a number of Class A Units representing 95% of the Class A Units of BRHC to the Chambers Affiliates in exchange for the release of BRHC's obligations under the Chambers Credit Facility (the "Satisfaction of Debt" and, together with the Asset Contribution, the "BRHC Transaction"). Concurrent with the Satisfaction of Debt, each warrant originally issued with the Chambers Credit Facility was automatically retired and cancelled. The closing of the BRHC Transaction was subject to the Company obtaining the approval of stockholders holding a majority of its outstanding capital stock and to the Company having assigned the Cadence Credit Agreement to BRHC with Cadence's consent, and BRHC and Cadence entering into any applicable amendment agreements related to such assignment and waiver of financial covenant ratio compliance for the quarter ended December 31, 2015 and quarter ending March 31, 2016. On June 21, 2016, the Company satisfied all of these conditions and, for accounting purposes, the BRHC Transaction was closed. The parties have agreed that the BRHC Transaction, the Asset Contribution and the Satisfaction of Debt are effective, for valuation purposes, as of April 1, 2016.

The terms of the Class A Units of BRHC are set forth in the limited liability company agreement of BRHC (the "LLC Agreement"), which became effective upon the closing of the BRHC Transaction. All distributions by BRHC of cash or other property, and whether upon liquidation or otherwise, will be made as follows:

- First, 100% to the Class A Members, pro rata, until each Class A Member has received distributions in aggregate totaling the then Class A Preference, which is an amount equal to a 10.0% internal rate of return on the invested capital amount.
- Second, 90% to the Class A Members, pro rata, and 10% to the Class B Members, pro rata, until such time as the aggregate distributions to Chambers equals 250% of the capital contribution of its Class A Units.
- Third, 80% to the Class A Members, pro rata, and 20% to the Class B Members, pro rata.

BRHC will be managed by the BRHC Board, which will be responsible for the conduct of the day-to-day business of BRHC and the management, oversight and disposition of the assets of BRHC. The initial BRHC Board will be comprised of three managers, consisting of two managers appointed by Chambers and one member from the Company.

In addition, under the LLC Agreement, Chambers committed to contribute up to $30 million cash (the "Chambers Investment Commitment") to BRHC in exchange for Class A Units. At Closing, Chambers funded $10 million (the "Initial Chambers Investment") of the Chambers Investment Commitment, the proceeds of which were used to reduce outstanding amounts owed by BRHC to Cadence under the Cadence Credit Facility and for general corporate purposes. The remaining $20 million (the "Subsequent Chambers Investment"), subject to certain conditions, may be called from time to time during the Investment Period by the board of managers of BRHC (the "BRHC Board"). The Initial Chambers Investment and any Subsequent Chambers Investment shall serve to proportionately reduce the Company's Class A Units percentage ownership in BRHC. The investment period shall be the lesser of three years or such time as the entire Chambers Investment Commitment has been called by the BRHC Board (the "Investment Period"). Any portion of Chambers Investment Commitment not called by the BRHC Board prior to the expiration of the Investment Period will be cancelled. In no event will Chambers be required to make a capital contribution in an amount in excess of its undrawn commitment.

The Company was granted 1,000,000 Class B Units in BRHC at the Closing of the BRHC Transaction. At the discretion of the BRHC's Board of Managers, the Company may be granted additional Class B Units in BRHC, and in turn, the Company may transfer such Class B Units to certain members of the Company's management. Subject to certain conditions, the Class B Units will entitle the holders to participate in any future distributions of BRHC after distributions equal to the capital contributions and preferred return have been made to the holders of Class A Units of BRHC.

At the closing of the BRHC Transaction, the Company entered into a Management Services Agreement with BRHC. Under the Management Services Agreement, the Company will provide services to BRHC with respect to the business operations of BRHC, including but not limited to locating, investigating and analyzing potential non-operator oil and gas projects and day-to-day operations related to such projects. The Company will be paid a fee under the Management Services Agreement intended to cover the costs of providing such services and will be reimbursed for certain third party expenses. The term of the Management Services Agreement commenced on the closing of the BRHC Transaction and continues indefinitely, unless terminated. The Management Services Agreement provides termination provisions upon reasonable notice for both BRHC and the Company as well as upon a change of control, provided that if the Management Services Agreement is terminated before December 31, 2016 that BRHC shall pay the Company a termination fee equal to the amount that would have been paid if the Management Services Agreement was in place until December 31, 2016.

The Company believes that the BRHC Transaction and related actions will allow the Company to continue as a manager of the oil and gas assets in which we will continue to have an indirect minority interest. In addition, it will give us the flexibility to pursue distressed asset acquisitions in the Bakken and/or Three Forks formation that may be acquired with capital from our secured lenders as part of the restructuring terms, existing joint venture partners or other capital providers.

As a result of the transaction, the Company recorded a gain on debt restructuring of $41,621,150 calculated as the difference between our final ownership interest in BRHC, after conversion of debt to equity and the equity contribution of the Initial Chambers Investment within BRHC and our retention of a 3.88% ownership interest in BRHC, and the net book value of the assets and liabilities we transferred to BRHC.

The income and expense for the associated with the operating activities (through June 21, 2016, the date of the BRHC transaction) contributed in the BRHC Transaction are reflected as "Loss from discontinued items, net of income taxes" on our condensed statement of operations for all periods presented herein. The items included in "Loss from discontinued operations, net of income taxes" are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Oil and gas sales	$ 2,877,058	$ 5,050,080	$ 5,539,613	$ 7,936,536
Gain on settled derivatives	1,043,026	847,198	1,043,026	1,980,619
Loss on the mark-to-market of derivatives	(4,272,849)	(1,956,155)	(4,288,736)	(1,588,826)
Total revenues	(352,765)	3,941,123	2,293,903	8,328,329
Operating expenses:				
Production expenses	652,882	1,153,663	1,400,639	2,143,520
Production taxes	292,080	555,152	568,028	841,344
General and administrative	311,061	84,608	476,461	207,729
Depletion of oil and gas properties	1,091,843	2,937,744	3,114,347	5,567,776
Impairment of oil and gas properties	–	21,639,000	5,219,000	21,639,000
Accretion of discount on asset retirement obligations	8,125	7,932	16,258	15,861
Total operating expenses	2,355,991	26,378,099	10,794,733	30,415,230
Net operating loss	(2,708,756)	(22,436,976)	(8,500,830)	(22,086,901)
Other income (expense):				
Interest expense	(261,898)	(1,547,172)	(1,696,544)	(3,114,420)
Total other income (expense)	(261,898)	(1,547,172)	(1,696,544)	(3,114,420)
Loss before provision for income taxes	(2,970,654)	(23,984,148)	(10,197,374)	(25,201,321)
Provision for income taxes	–	5,957,649	–	6,593,040
Net income (loss)	$ (2,970,654)	$ (18,026,499)	$ (10,197,374)	$ (18,608,281)

The assets and liabilities subject to the BRHC Transaction have been retroactively reclassified as assets and liabilities from discontinued operations on the Company's balance sheet as of December 31, 2015.

Assets and liabilities reclassified as assets and liabilities from discontinued operations as of December 31, 2015 consisted of the following:

	December 31, 2015
ASSETS	
Assets from discontinued operations, current	
Derivative instruments	$ 1,154,400
Accounts receivable	5,038,146
Prepaid expenses	37,100
Total assets from discontinued operations, current	6,229,646
Assets from discontinued operations, long term	
Oil and natural gas properties, full cost method of accounting	
Proved properties	131,168,906
Unproved properties	10,394
Total oil and natural gas properties, full cost method of accounting	131,179,300
Less, accumulated depletion and allowance for impairment	(99,371,070)
Total assets from discontinued operations, long term	31,808,230
Total assets from discontinued operations	$ 38,037,876
LIABILITIES	
Liabilities from discontinued operations, current	
Accounts payable	$ 7,906,438
Accrued expenses	55,830
Current portion of revolving credit facility and long term debt	60,350,629
Total liabilities from discontinued operations, current	68,312,897
Liabilities from discontinued operations, long term	
Asset retirement obligations	368,089
Total liabilities from discontinued operations, long term	368,089
Total liabilities from discontinued operations	$ 68,680,986

Note 5 – Joint Venture

On July 20, 2015, the Company signed a definitive agreement with an affiliate of Merced Capital ("Merced") to form a joint venture that will acquire and develop Williston Basin non-operated assets. The joint venture will be funded by Merced with an initial investment target of $50 Million. Investments will be subject to Merced approval, and will be managed by the Company.

The joint venture assets will be managed by the Company in exchange for a management fee and reimbursement of third party expenses, and, after certain investor hurdles are met, the Company will receive a share of profits in the joint venture. The Company will also have the option to co-invest up to 25% on acquisitions and capital expenditures alongside the venture and any such co-investments will reside directly with the Company. Upon the sale of joint venture assets, the Company will also have the option to bid and acquire the assets.

We have not yet commenced operations pursuant to this joint venture, but continue to actively evaluate investment opportunities with Merced.

Note 6 – Property and Equipment

Property and equipment at June 30, 2016 and December 31, 2015, consisted of the following:

	June 30, 2016	December 31, 2015
Property and equipment	$ 139,004	$ 139,004
Less: Accumulated depreciation and amortization	(105,221)	(97,857)
Total property and equipment, net	$ 33,783	$ 41,147

All of the oil and gas assets have been classified as non-current assets from discontinued operations on the balance sheet as of December 31, 2015 as the Company effectively disposed of those assets as part of the restructuring discussed in Note 4 – Debt Restructuring.

The following table shows depreciation, depletion, and amortization expense by type of asset:

	Six Months Ended June 30,	
	2016	2015
Depletion of costs for evaluated oil and gas properties [(1)]	$ 3,114,347	$ 5,567,776
Depreciation and amortization of other property and equipment	7,364	8,276
Total depreciation, amortization and depletion	$ 3,121,711	$ 5,576,052

(1) Presented as an element of loss from discontinued operations, net of income taxes.

Impairment of Oil and Gas Properties

As a result of currently prevailing low commodity prices and their effect on the proved reserve values of properties in 2016, we recorded non-cash ceiling test impairments of $5,219,000 and $21,639,000 for the six months ended June 30, 2016 and 2015, respectively. The expense associated with the impairments is presented as part of loss from discontinued operations, net of income taxes. The impairment charges affected our reported net income but did not reduce our cash flow.

Note 7 – Oil and Gas Properties

The following table summarizes gross and net productive oil wells by state at June 21, 2016 (prior to their disposition through our debt restructuring) and June 30, 2015. A net well represents our percentage ownership of a gross well. The following table does not include wells in which our interest is limited to royalty and overriding royalty interests. The following table also does not include wells which were awaiting completion, in the process of completion or awaiting flow back subsequent to fracture stimulation.

	June 21, 2016		June 30, 2015	
	Gross	Net	Gross	Net
North Dakota	352	10.64	286	8.59
Montana	5	0.37	5	0.37
Total	357	11.01	291	8.96

The Company's oil and gas properties consisted of all acreage acquisition costs (including cash expenditures and the value of stock consideration), drilling costs and other associated capitalized costs. As of June 21, 2016 (prior to their disposition through our debt restructuring) and June 30, 2015, our principal oil and gas assets included approximately 7,016 and 8,566 net acres, respectively, located in North Dakota and Montana.

The following table summarizes our capitalized costs for the purchase and development of our oil and gas properties for the six months ended June 30, 2016 and 2015, respectively:

	Six Months Ended June 30,	
	2016	2015
Purchases of oil and gas properties and development costs for cash	$ 4,858,134	$ 12,677,179
Purchase of oil and gas properties accrued at period-end	3,155,016	9,203,387
Purchase of oil and gas properties accrued at beginning of period (prior to disposition)	(6,899,503)	(9,364,796)
Capitalized asset retirement costs	4,737	41,695
Total purchase and development costs, oil and gas properties	$ 1,118,384	$ 12,557,465

2016 Acquisitions
During the six months ended June 30, 2016, we did not purchase any oil and gas properties.

2016 Divestitures
During the six months ended June 30, 2016, we sold approximately 14 net leasehold acres oil and gas properties for total proceeds of $94,628. No gain or loss was recorded pursuant to the sales.

2016 Disposition in Debt Restructuring
On June 21, 2016 we disposed of all of our oil gas properties, with net carrying costs of $24,498,638, as part of our debt restructuring as outlined in Note 4 – Debt Restructuring.

2015 Acquisitions
During the six months ended June 30, 2015, we purchased a total of approximately 9 net leasehold acres of oil and gas properties. In consideration for the assignment, we paid the sellers a total of approximately $102,928.

2015 Divestitures
During the six months ended June 30, 2015, we sold approximately 9 net leasehold acres of oil and gas properties for total proceeds of $103,000. No gain or loss was recorded pursuant to the sales.

Undeveloped Acreage Expirations
During the six months ended June 30, 2016, we had leases encompassing 1,079 net acres expire with carrying costs of $650,816 that had been reserved and transferred to the full cost pool subject to depletion in 2015.

Note 8 – Asset Retirement Obligation

The Company has asset retirement obligations (ARO) associated with the future plugging and abandonment of proved properties and related facilities. Under the provisions of FASB ASC 410-20-25, the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred and a corresponding increase in the carrying amount of the related long lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. The Company has no assets that are legally restricted for purposes of settling ARO.

The following table summarizes the Company's asset retirement obligation transactions recorded in accordance with the provisions of FASB ASC 410-20-25 during the six months ended June 30, 2016 and 2015:

	Six Months Ended June 30,	
	2016	2015
Beginning ARO	$ 368,089	$ 286,804
Liabilities incurred for new wells placed in production	4,737	41,695
Accretion of discount on ARO	16,258	15,861
Liability relieved in debt restructuring	(389,084)	–
Ending ARO	$ –	$ 344,360

The ARO as of December 31, 2015 has been reclassified to non-current liabilities from discontinued operations on the balance sheet.

Note 9 – Related Party

We leased office space on a month to month basis where the lessor is an entity owned by our former CEO and current Chairman of the Board of Directors, Bradley Berman. Pursuant to the lease, we occupied approximately 2,813 square feet of office space. We terminated the lease concurrent with our move to another location on June 30, 2016. The lease had base rents of $2,110 per month, plus common area operations and maintenance charges, and monthly parking fees of $240 per month, for the period from November 15, 2013 to October 31, 2014, and was subject to increases of $117 per month beginning November 1, 2014 and for each of the subsequent annual periods. We paid a total of $36,183 and $35,128 to this entity during the six months ended June 30, 2016 and 2015, respectively.

Note 10 – Derivative Instruments

The Company is required to recognize all derivative instruments on the balance sheet as either assets or liabilities measured at fair value. The Company has not designated its derivative instruments as cash flow hedges for accounting purposes and, as such, marks its derivative instruments to fair value and recognizes the realized and unrealized changes in fair value in its statements of operations under the captions "Loss on settled derivatives" and "Loss on the mark-to-market of derivatives."

The Company has utilized swap and collar derivative contracts. While the use of these derivative instruments limits the downside risk of adverse price movements, their use also limits the upside revenue potential of upward price movements.

For a fixed price swap contract, the counterparty is required to make a payment to the Company if the settlement price for any settlement period is less than the swap price and the Company is required to make a payment to the counterparty if the settlement price for any period is greater than the swap price. For a collar contract, the counterparty is required to make a payment to the Company if the settlement price for any settlement period is below the floor price, the Company is required to make a payment to the counterparty if the settlement price for any settlement period is above the ceiling price and no payment is required by either party if the settlement price for any settlement period is between the floor price and the ceiling price.

The Company's derivative contracts are settled based on reported settlement prices on commodity exchanges, with crude oil derivative settlements based on NYMEX West Texas Intermediate ("WTI") pricing.

As of June 30, 2016, the Company had no outstanding derivative contracts. All of our then outstanding derivative contracts, with a mark-to-market liability valuation of $3,134,336, were transferred to BRHC as part of the debt restructuring.

Derivative Gains and Losses

The following table presents realized and unrealized gains and losses on derivative instruments for the periods presented:

	Six Months Ended June 30,	
	2016	2015
Realized gain on derivatives:		
Crude oil fixed price swaps	$ 922,872	$ 1,589,818
Crude oil collars	120,154	390,801
Realized gain on derivatives, net	$ 1,043,026	$ 1,980,619
Loss on the mark-to-market of derivatives:		
Crude oil fixed price swaps	$ (4,157,491)	$ (1,161,398)
Crude oil collars	(131,245)	(427,428)
Loss on the mark-to-market of derivatives, net	$ (4,288,736)	$ (1,588,826)

Balance Sheet Offsetting of Derivative Assets and Liabilities

In accordance with FASB issued ASU No. 2011-11, Balance Sheet (Topic 210)-Disclosures about Offsetting Assets and Liabilities, all of the Company's derivative contracts are carried at their fair value in the condensed balance sheets under the captions "Derivative instruments" and "Noncurrent derivative instruments". Derivative instruments from the same counterparty that are subject to contractual terms which provide for net settlement are reported on a net basis in the condensed balance sheets. The following tables present the gross amounts of recognized derivative assets and liabilities, the amounts offset under the netting arrangements with counterparties, and the resulting net amounts presented in the condensed balance sheets as part of discontinued operations for the periods presented, all at fair value.

	December 31, 2015		
	Gross amounts of recognized assets	Gross amounts offset on balance sheet	Net amounts of assets on balance sheet
Commodity derivative assets	$ 1,154,417	$ (17)	$ 1,154,400

	December 31, 2015		
	Gross amounts of recognized liabilities	Gross amounts offset on balance sheet	Net amounts of liabilities on balance sheet
Commodity derivative liabilities	$ –	$ –	$ –

The following table reconciles the net amounts disclosed above to the individual financial statement line items in the condensed balance sheets:

	December 31, 2015
Current assets from discontinued operations	$ 1,154,400
Non-current assets from discontinued operations	–
Net amount of assets on the balance sheet	1,154,400
Current liabilities from discontinued operations	–
Non-current liabilities from discontinued operations	–
Net amounts of liabilities on the balance sheet	–
Total derivative assets, net	$ 1,154,400

Note 11 – Fair Value of Financial Instruments

The Company adopted FASB ASC 820-10 upon inception at April 9, 2010. Under FASB ASC 820-10-5, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and FASB ASC 820-10-50 details the disclosures that are required for items measured at fair value.

The Company has revolving credit facilities that must be measured under the new fair value standard. The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 - Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheets as of June 30, 2016 and December 31, 2015:

	Fair Value Measurements at June 30, 2016		
	Level 1	Level 2	Level 3
Assets			
Cash and cash equivalents	$ 1,038,567	$ –	$ –
Derivative Instruments (crude oil swaps and collars)	–	–	–
Total assets	1,038,567	–	–
Liabilities			
Derivative Instruments (crude oil swaps and collars)	–	–	–
Revolving credit facilities and long term debt	–	–	–
Total Liabilities	–	–	–
	$ 1,038,567	$ –	$ –

	Fair Value Measurements at December 31, 2015		
	Level 1	Level 2	Level 3
Assets			
Cash and cash equivalents	$ 228,194	$ –	$ –
Derivative Instruments (crude oil swaps and collars)	–	1,154,400	–
Total assets	228,194	1,154,400	–
Liabilities			
Revolving credit facilities and long term debt	–	60,350,629	–
Total Liabilities	–	60,350,629	–
	$ 228,194	$ (59,196,229)	$ –

There were no transfers of financial assets or liabilities between Level 1 and Level 2 inputs for the six months ended June 30, 2016 and 2015.

Level 2 liabilities include Revolving credit facilities. No fair value adjustment was necessary during the six months ended June 30, 2016 and 2015.

The derivative instruments and revolving credit facilities are reflected on the balance sheets as part of assets or liabilities from discontinued operations as detailed in Note 4 – Debt Restructuring.

Note 12 – Revolving Credit Facilities and Long Term Debt

The Company, as borrower, entered into a Credit Agreement dated August 8, 2013 and amendments thereto dated December 13, 2013, March 24, 2014, April 21, 2014, September 11, 2014, March 30, 2015 and August 10, 2015 (as amended, the "Senior Credit Agreement ") with Cadence Bank, N.A. ("Cadence"), as lender (the "Senior Credit Facility"). Under the terms of the Senior Credit Agreement, a senior secured revolving line of credit in the maximum aggregate principal amount of $50 million is available from time to time (i) for direct investment in oil and gas properties, (ii) for general working capital purposes, including the issuance of letters of credit, and (iii) to refinance the then existing debt under the Company's former credit facility.

Availability under the Senior Credit Facility was at all times subject to the then-applicable borrowing base, determined by Cadence in a manner consistent with the normal and customary oil and gas lending practices of Cadence. Availability was initially set at $7 million and was subject to periodic redeterminations. Subject to availability under the borrowing base, the Company could borrow, repay and re-borrow funds in amounts of $250,000 or more. At the Company's election, the unpaid principal balance of any borrowings under the Senior Credit Facility may bear interest at either (i) the Base Rate, as defined in the Senior Credit Facility, plus the applicable margin, which varies from 1.00% to 1.50% or (ii) the LIBOR rate, as defined in the Senior Credit Facility, plus the applicable margin, which varies from 3.00% to 3.50%. Interest was payable for Base Rate loans on the last business day of the month and for LIBOR loans on the last LIBOR business day of each LIBOR interest period. The Company was also required to pay a quarterly fee of 0.50% on any unused portion of the borrowing base, as well as a facility fee of 0.90% of the initial and any subsequent additions to the borrowing base.

The Senior Credit Facility's maturity date of August 8, 2016, was subsequently amended to January 15, 2017 pursuant to the amendment on March 30, 2015. The Company could prepay the entire amount of Base Rate loans at any time, and could prepay the entire amount of LIBOR loans upon at least three business days' notice to Cadence. The Senior Credit Facility was secured by first priority interests in mortgages on substantially all of the Company's assets, including but not limited to the Company's mineral interests in North Dakota and Montana.

As part of the debt restructuring outline in Note 4 – Debt Restructuring, the Company transferred the obligation with a balance outstanding of $29,400,000 under the Senior Credit Facility to BRHC. The Company had borrowings of $27.75 million outstanding under the Senior Credit Agreement as of December 31, 2015.

Subordinated Credit Facility

The Company, as borrower, entered into a Second Lien Credit Agreement dated August 8, 2013 and amendments thereto dated December 13, 2013, March 24, 2014, April 21, 2014, September 11, 2014, March 30, 2015, and August 10, 2015 (as amended, the "Subordinated Credit Agreement") by and among the Company, as borrower, Chambers Energy Management, LP, as administrative agent ("Chambers"), and the several other lenders named therein (the "Subordinated Credit Facility"). Under the Subordinated Credit Facility, term loans in the aggregate principal amount of up to $75 million are available from time to time (i) to repay the Previous Credit Facility, (ii) for fees and closing costs in connection with both the Senior Credit Facility and the Subordinated Credit Facility (together, the "Credit Facilities"), and (iii) general corporate purposes.

The Subordinated Credit Agreement provided initial commitment availability of $25 million, which was subsequently amended to the current availability of $30 million, with the remaining commitments subject to the approval of Chambers and other customary conditions. The Company may borrow the available commitments in amounts of $5 million or more and shall not request borrowings of such loans more than once a month, provided that the initial draw was at least $15 million. Loans under the Subordinated Credit Facility shall be funded net of a 2% OID. The unpaid principal balance of borrowings under the Subordinated Credit Facility bears interest at the Cash Interest Rate plus the PIK Interest Rate. The Cash Interest Rate is 9.00% per annum plus a rate per annum equal to the greater of (i) 1.00% and (ii) the offered rate for three-month deposits in U.S. dollars that appears on Reuters Screen LIBOR 01 as of 11:00 a.m. (London time) on the second full LIBOR business day preceding the first day of each calendar quarter. The PIK Interest Rate is equal to 4.00% per annum. Interest is payable on the last day of each month. The Company is also required to pay an annual nonrefundable administration fee of $50,000 and a monthly availability fee computed at a rate of 0.50% per annum on the average daily amount of any unused portion of the available amount under the commitment.

The Subordinated Credit Facility matured on June 30, 2017. Upon at least three business days' written notice, the Company could prepay the entire amount under the loans, together with accrued interest. Each prepayment made prior to the second anniversary of the funding date, as defined in the Subordinated Credit Facility, would be accompanied by a make-whole amount, as defined in the Subordinated Credit Agreement. Prepayments made on or after the second anniversary of the funding date were accompanied by an applicable premium, as set forth in the Subordinated Credit Agreement. The Subordinated Credit Facility was secured by second priority interests on substantially all of the Company's assets, including but not limited to second priority mortgages on the Company's mineral interests in North Dakota and Montana.

The first funding from the Subordinated Credit Facility occurred on September 9, 2013 at which time we drew $14,700,000, net of a $300,000 original issue discount, from the Subordinated Credit Agreement and used $10,226,057 of those proceeds to repay and terminate a previously outstanding revolving credit facility. We had drawn an additional $14,700,000, net of $300,000 original issue discounts, through December 31, 2015. The Company had borrowings of $30.0 million outstanding under the Subordinated Credit Facility as of December 31, 2015. The obligations under the Subordinated Credit Facility, $30.0 million of principal and $2,931,369 of PIK interest payable, were transferred to BRHC and converted to equity in BRHC as part of the debt restructuring outlined in Note 4- Debt Restructuring.

Intercreditor Agreements and Covenants

Cadence and Chambers had entered into an Intercreditor Agreement dated August 8, 2013 (the "Intercreditor Agreement"). The Intercreditor Agreement provides that any liens on the assets of the Company securing indebtedness under the Subordinated Credit Facility are subordinate to liens on the assets securing indebtedness under the Senior Credit Facility and sets forth the respective rights, obligations and remedies of the lenders under the Senior Credit Facility with respect to their first priority liens and the lenders under the Subordinated Credit Facility with respect to their second priority liens.

The Credit Facilities, as amended, required customary affirmative and negative covenants for credit facilities of the respective types and sizes for companies operating in the oil and gas industry, as well as customary events of default. Furthermore, the Credit Facilities contain financial covenants that require the Company to satisfy certain specified financial ratios. The Senior Credit Agreement requires the Company to maintain, as of the last day of each fiscal quarter of the Company, (i) a collateral coverage ratio (reserve value plus consolidated working capital to adjusted indebtedness) of at least 0.65 to 1.00 through the quarter ending June 30, 2014, 0.70 to 1.00 for the quarters ending September 30, 2014 and December 31, 2014, was waived for the quarters ending March 31, 2015 and June 30, 2015, and 0.70 to 1.00 for the quarter ending September 30, 2015, and 0.80 to 1.00 for the quarter ending December 31, 2015 and thereafter, (ii) a ratio of current assets, including debt facility available to be drawn, to current liabilities of a minimum of 1.0 to 1.0, except for the quarter ending June 30, 2014, which was waived, (iii) a net debt to EBITDAX, as defined in the Senior Credit Agreement, ratio of 3.75 to 1.00 for the quarter ended March 31, 2014, 4.25 to 1.00 for the quarters ended June 30, 2014 and September 30, 2014, 4.00 to 1.00 for the quarter ended December 31, 2014, was waived for the quarters ended March 31, 2015 and June 30, 2015, and 3.50 to 1.00 for the quarter ending September 30, 2015, and 3.65 to 1.00 for the quarter ending December 31, 2015, and 3.50 to 1.00 for the quarter ending March 31, 2016 and thereafter, in each case calculated on a modified trailing four quarter basis, (iv) a maximum senior leverage ratio of not more than 2.5 to 1.0 calculated on a modified trailing four quarter basis, and (v) a minimum interest coverage ratio of not less than 3.0 to 1.0. The Subordinated Credit Agreement requires the Company to maintain, as of the last day of each fiscal quarter of the Company, (i) a collateral coverage ratio (reserve value plus consolidated working capital to adjusted indebtedness) of at least 0.65 to 1.00 through the quarter ending June 30, 2014, 0.70 to 1.00 for the quarters ending September 30, 2014 and December 31, 2014, was waived for the quarters ending March 31, 2015 and June 30, 2015, and 0.70 to 1.00 for the quarter ending September 30, 2015, and 0.80 to 1.00 for the quarter ending December 31, 2015 and thereafter, (ii) a consolidated net leverage ratio (adjusted total indebtedness less the amount of unrestricted cash equivalents to consolidated EBITDA) of no more than 3.75 to 1.00 for the quarter ending March 31, 2014, 4.25 to 1.00 for the quarters ending June 30, 2014 and September 30, 2014, 4.00 to 1.00 for the quarter ending December 31, 2014, was waived for the quarters ending March 31, 2015 and June 30, 2015, and 3.50 to 1.00 for the quarter ending September 30, 2015, and 3.65 to 1.00 for the quarter ending December 31, 2015, and 3.50 to 1.00 for the quarter ending March 31, 2016 and thereafter, calculated on a modified trailing four quarter basis, (iii) a consolidated cash interest coverage ratio (consolidated EBITDA to consolidated cash interest expense) of no less than 2.5 to 1.0, calculated on a modified trailing four quarter basis and (iv) a ratio of consolidated current assets to consolidated current liabilities of at least 1.0 to 1.0, except for the quarter ending June 30, 2015 when the covenant was waived. In addition, each of the Credit Facilities required that the Company enter into hedging agreements based on anticipated oil production from currently producing wells as agreed to by the lenders.

Covenant Violations

The Company was out of compliance with the collateral coverage ratio covenant as of March 31, 2016 and December 31, 2015 and the current ratio covenant as defined by the Subordinated Credit Facility as of March 31, 2016. Additionally, the audit report the Company received with respect to its financial statements as of December 31, 2015 contains an explanatory paragraph expressing uncertainty as to the Company's ability to continue as a going concern, the delivery of which constitutes a default under both its Senior Credit Facility and Subordinated Credit Facility. See Note 3, "Going Concern", for additional information. The Company received a waiver for all debt covenants as of December 31, 2015 and March 31, 2016 as part of the debt restructuring outlined in Note 4 – Debt Restructuring.

Debt Discount, Detachable Warrants

In connection with the Subordinated Credit Facility, the Company agreed to issue to the lenders detachable warrants to purchase up to 5,000,000 shares of the Company's common stock at an exercise price of $0.65 per share. The warrants expire on August 8, 2018. Proceeds from the loan were allocated between the debt and equity based on the relative fair values at the time of issuance, resulting in a debt discount of $2,473,576 at issuance that is presented as a debt discount on the balance sheet and is being amortized using the effective interest method over the life of the credit facility, which matures on June 30, 2017. A total of $-0- and $321,763 was amortized during the six months ended June 30, 2016 and 2015. The remaining unamortized balance of the debt discount attributable to the warrants is $-0- as of June 30, 2016. The amortization of the debt discount attributable to the warrants was accelerated in 2015 to fully amortize the discount as of December 31, 2015 when the related debt became payable on demand due to a default on the related debt. As part of the debt restructuring all related warrants were retired and cancelled.

Amounts outstanding under revolving credit facilities and long term debts consisted of the following as of December 31, 2015:

	December 31, 2015
Senior Revolving Credit Facility, Cadence Bank, N.A.	$ 27,750,000
Subordinated Credit Agreement, Chambers	30,000,000
PIK Interest on Subordinated Credit Agreement, Chambers	2,600,629
Total credit facilities and long term debts	60,350,629
Less: Unamortized OID	–
Less: Unamortized debt discount attributable to warrants	–
Total credit facilities and long term debts, net of discounts	60,350,629
Less: current maturities [(1)]	(60,350,629)
Long term portion of credit facilities and long term debts	$ –

[(1)] Due to existing and anticipated covenant violations, the Company's Senior Credit Facility and Subordinated Credit Facility were classified as current December 31, 2015 and are presented as part of current liabilities from discontinued operations on the balance sheet.

Net proceeds of $29.4 million was received from our $30 million in advances due to $600,000 of OID pursuant to the Subordinated Credit Agreement at issuance that is presented as a debt discount on the balance sheet and was being amortized using the effective interest method over the life of the credit facility, which matures on June 30, 2017. A total of $-0- and $84,858 was amortized during the six months ended June 30, 2016 and 2015, respectively. The remaining unamortized balance of the debt discount attributable to the OID is $-0- as of June 30, 2016 and December 31, 2015 as the amortization was accelerated in 2015 to fully amortize the discount as of December 31, 2015 when the related debt became payable on demand due to a default on the related debt.

The following presents components of interest expense, presented as a component of loss from discontinued operations, for the six months ended June 30, 2016 and 2015, respectively:

	Six Months Ended June 30,	
	2016	2015
Accrued PIK interest	$ 330,740	$ 634,919
Amortization of OID	–	84,858
Interest and commitment fees	1,373,023	2,177,431
Amortization of debt issuance costs	–	190,780
Amortization of warrant costs	–	321,763
Less interest capitalized to the full cost pool of our proved oil & gas properties	(7,219)	(295,331)
	$ 1,696,544	$ 3,114,420

Note 13 – Changes in Stockholders' Equity

Preferred Stock
The Company has 20,000,000 authorized shares of $0.001 par value preferred stock. No shares have been issued to date.

Common Stock
The Company has 500,000,000 authorized shares of $0.001 par value common stock.

Note 14 – Options

Options Granted
No options were granted during the six months ended June 30, 2016.

The Company recognized a total of $315,648, and $313,751 of compensation expense during the six months ended June 30, 2016 and 2015, respectively, on common stock options issued to Employees and Directors that are being amortized over the implied service term, or vesting period, of the options. The remaining unamortized balance of these options is $1,176,572 as of June 30, 2016.

Options Exercised
No options were exercised during the six months ended June 30, 2016 and 2015.

Options Forfeited
No options were forfeited during the six months ended June 30, 2016 and 2015.

Note 15 – Warrants

Warrants Granted
No warrants were granted during the six months ended June 30, 2016 and 2015.

We recognized a total of $-0- and $321,763 of finance expense during the six months ended June 30, 2016 and 2015, respectively, on common stock warrants issued to lenders. All warrants granted pursuant to debt financings are amortized over the remaining life of the respective loan.

Warrants Exercised
No warrants were exercised during the six months ended June 30, 2016 and 2015.

Warrants Expired and Cancelled
A total of 500,000 warrants, all at an exercise price of $0.95, expired during the six months ended June 30, 2016. Additionally 5,000,000 warrants, at an exercise price of $0.65, were cancelled and retired as part of the debt restructuring outlined in Note 4 – Debt restructuring. No options were forfeited during the six months ended June 30, 2015.

Note 16 – Income Taxes

The Company accounts for income taxes under ASC Topic 740, *Income Taxes,* which provides for an asset and liability approach of accounting for income taxes. Under this approach, deferred tax assets and liabilities are recognized based on anticipated future tax consequences, using currently enacted tax laws, attributed to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts calculated for income tax purposes.

We currently estimate that our effective tax rate for the year ending December 31, 2016 will be 0%. Losses incurred during the period from April 9, 2011 (inception) to June 30, 2016 could be used to offset future tax liabilities. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is "more likely than not" that some component or all of the benefits of deferred tax assets will not be realized. As of June 30, 2016, net deferred tax assets were $11,537,106, after an offsetting reduction in deferred tax liabilities of $4,962, primarily related to net operating loss carryforwards. A valuation allowance of approximately $11,537,106 was applied to the remaining net deferred tax assets. We have not provided any valuation allowance against our deferred tax liabilities, which were netted against our deferred tax assets.

The tax benefit for the six months ended June 30, 2016 was $-0- as the Company utilized a portion of the Company's deferred tax asset, which was offset by a corresponding reduction in the valuation allowance on the utilized deferred tax asset.

In accordance with FASB ASC 740, the Company has evaluated its tax positions and determined there are no significant uncertain tax positions as of any date on, or before June 30, 2016.

Note 17 – Commitments and Contingencies

The Company from time to time may be involved in various inquiries, administrative proceedings and litigation relating to matters arising in the normal course of business. The Company is not aware of any inquiries or administrative proceedings and is not currently a defendant in any material litigation and is not aware of any threatened litigation that could have a material effect on the Company.

The Company periodically maintains cash balances at banks in excess of federally insured amounts. The extent of loss, if any, to be sustained as a result of any future failure of a bank or other financial institution is not subject to estimation at this time.

Note 18 – Subsequent Events

There were no subsequent events to report through the date of this filing.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Statements

We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our company and to take advantage of the "safe harbor" protection for forward-looking statements that applicable federal securities law affords.

From time to time, our management or persons acting on our behalf may make forward-looking statements to inform existing and potential security holders about our company. All statements other than statements of historical facts included in this report regarding our financial position, business strategy, plans and objectives of management for future operations and industry conditions are forward-looking statements. When used in this report, forward-looking statements are generally accompanied by terms or phrases such as "estimate," "project," "predict," "believe," "expect," "anticipate," "target," "plan," "intend," "seek," "goal," "will," "should," "may" or other words and similar expressions that convey the uncertainty of future events or outcomes. Items making assumptions regarding actual or potential future sales, market size, collaborations, trends or operating results also constitute such forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our control) that could cause actual results to differ materially from those set forth in the forward-looking statements include the following:

- volatility or decline of our stock price;
- low trading volume and illiquidity of our common stock, and possible application of the SEC's penny stock rules;
- potential fluctuation in quarterly results;
- our failure to collect payments owed to us;
- material defaults on monetary obligations owed us, resulting in unexpected losses;
- inability to obtain capital from investment partners to acquire oil and gas properties to manage;
- inadequate capital to acquire working interests in oil and gas prospects and to participate in the drilling and production of oil and other hydrocarbons;
- unavailability of oil and gas prospects to acquire;
- decline in oil prices;
- failure to discover or produce commercial quantities of oil, natural gas or other hydrocarbons;
- cost overruns incurred on our oil and gas prospects, causing unexpected operating deficits;
- drilling of dry holes;
- acquisition of oil and gas leases that are subsequently lost due to the absence of drilling or production;
- dissipation of existing assets and failure to acquire or grow a new business;
- litigation, disputes and legal claims involving outside parties; and
- risks related to our ability to be listed on a national securities exchange and meeting listing requirements

We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. Accordingly, results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made.

Readers are urged not to place undue reliance on these forward-looking statements. We assume no obligation to update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report, other than as may be required by applicable law or regulation. Readers are urged to carefully review and consider the various disclosures made by us in our reports filed with the United States Securities and Exchange Commission (the "SEC") which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operation and cash flows. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected.

Overview and Outlook

On June 21, 2016 we closed on a debt restructuring transaction with our secured lenders that is described below in "Recent Developments." Following the transaction, our focus is on managing the oil and gas assets in which we will continue to have an indirect minority interest. In addition, we will continue to pursue distressed asset acquisitions in the Bakken and/or Three Forks and other formations that may be acquired with capital from our secured lenders as part of the restructuring terms, existing joint venture partners or other capital providers.

Effective April 2, 2012, we changed our name to Black Ridge Oil & Gas, Inc. Our common stock is still quoted on the OTCQB under the trading symbol "ANFC."

Recent Developments

On March 29, 2016, the Company entered into an Asset Contribution Agreement with Black Ridge Holding Company, LLC, a Delaware limited liability company ("BRHC") which was recently formed by the Company to contribute and assign to BRHC, all of the Company's (i) oil and gas assets (including working capital and tangible and intangible assets) (the "Assets"), (ii) outstanding balances under that certain Credit Agreement between the Company, as borrower, and Cadence Bank, N.A. ("Cadence"), as lender (the "Cadence Credit Facility") and the outstanding balances under that certain Credit Agreement between the Company, as borrower, and the several banks and other financial institutions or entities from time to time parties thereto (the "Chambers"), and Chambers, as administrative agent (the "Chambers Credit Facility") and (iii) all current liabilities related to the Assets, in exchange for 5% of the issued and outstanding Class A Units (the "Class A Units") in BRHC (the "Asset Contribution"). On March 29, 2016, affiliates of Chambers Energy Management, LP ("Chambers") (specifically, Chambers Energy Capital II, LP and CEC II TE, LLC (collectively, the "Chambers Affiliates")) entered into a Debt Contribution Agreement between BRHC and the Chambers Affiliates, pursuant to which BRHC will issue a number of Class A Units representing 95% of the Class A Units of BRHC to the Chambers Affiliates in exchange for the release of BRHC's obligations under the Chambers Credit Facility (the "Satisfaction of Debt" and, together with the Asset Contribution, the "BRHC Transaction"). Concurrent with the Satisfaction of Debt, each warrant originally issued with the Chambers Credit Facility shall be automatically retired and cancelled. The closing of the BRHC Transaction was subject to the Company obtaining the approval of stockholders holding a majority of its outstanding capital stock and to the Company having assigned the Cadence Credit Agreement to BRHC with Cadence's consent, and BRHC and Cadence entering into any applicable amendment agreements related to such assignment and waiver of financial covenant ratio compliance for the quarter ended December 31, 2015 and quarter ending June 30, 2016. On June 21, 2016, the Company satisfied all of these conditions and, for accounting purposes, the BRHC Transaction has been consummated. The parties have agreed that the BRHC Transaction, the Asset Contribution and the Satisfaction of Debt are effective, for valuation purposes, as of April 1, 2016.

The terms of the Class A Units of BRHC are set forth in the limited liability company agreement of BRHC (the "LLC Agreement"), which became effective upon the closing of the BRHC Transaction. All distributions by BRHC of cash or other property, and whether upon liquidation or otherwise, will be made as follows:

- First, 100% to the Class A Members, pro rata, until each Class A Member has received distributions in aggregate totaling the then Class A Preference, which is an amount equal to a 10.0% internal rate of return on the invested capital amount.
- Second, 90% to the Class A Members, pro rata, and 10% to the Class B Members, pro rata, until such time as the aggregate distributions to Chambers equals 250% of the capital contribution of its Class A Units.
- Third, 80% to the Class A Members, pro rata, and 20% to the Class B Members, pro rata.

BRHC will be managed by the BRHC Board, which will be responsible for the conduct of the day-to-day business of BRHC and the management, oversight and disposition of the assets of BRHC. The initial BRHC Board will be comprised of three managers, consisting of two managers appointed by Chambers and one member from the Company.

In addition, under the LLC Agreement, Chambers committed to contribute up to $30 million cash (the “Chambers Investment Commitment”) to BRHC in exchange for Class A Units. At Closing, Chambers funded $10 million (the “Initial Chambers Investment”) of the Chambers Investment Commitment, the proceeds of which were used to reduce outstanding amounts owed by BRHC to Cadence under the Cadence Credit Facility and for general corporate purposes. The remaining $20 million (the “Subsequent Chambers Investment”), subject to certain conditions, may be called from time to time during the Investment Period by the board of managers of BRHC (the “BRHC Board”). The Initial Chambers Investment and any Subsequent Chambers Investment shall serve to proportionately reduce the Company's Class A Units percentage ownership in BRHC. The investment period shall be the lesser of three years or such time as the entire Chambers Investment Commitment has been called by the BRHC Board (the “Investment Period”). Any portion of Chambers Investment Commitment not called by the BRHC Board prior to the expiration of the Investment Period will be cancelled. In no event will Chambers be required to make a capital contribution in an amount in excess of its undrawn commitment.

The Company was granted 1,000,000 Class B Units in BRHC at the Closing of the BRHC Transaction. At the discretion of the BRHC’s Board of Managers, the Company may be granted additional Class B Units in BRHC, and in turn, the Company may transfer such Class B Units to certain members of the Company's management. Subject to certain conditions, the Class B Units will entitle the holders to participate in any future distributions of BRHC after distributions equal to the capital contributions and preferred return have been made to the holders of Class A Units of BRHC.

At the closing of the BRHC Transaction, the Company entered into a Management Services Agreement with BRHC. Under the Management Services Agreement, the Company will provide services to BRHC with respect to the business operations of BRHC, including but not limited to locating, investigating and analyzing potential non-operator oil and gas projects and day-to-day operations related to such projects. The Company will be paid a fee under the Management Services Agreement intended to cover the costs of providing such services and will be reimbursed for certain third party expenses. The term of the Management Services Agreement commenced on the closing of the BRHC Transaction and continues indefinitely, unless terminated. The Management Services Agreement provides termination provisions upon reasonable notice for both the BRHC and the Company as well as upon a change of control, provided that if the Management Services Agreement is terminated before December 31, 2016 that BRHC shall pay the Company a termination fee equal to the amount that would have been paid if the Management Services Agreement was in place until December 31, 2016.

The Company believes that the BRHC Transaction and related actions will allow the Company to continue as a manager of the oil and gas assets in which we will continue to have an indirect minority interest. In addition, it will give us the flexibility to pursue distressed asset acquisitions in the Bakken and/or Three Forks formation that may be acquired with capital from our secured lenders as part of the restructuring terms, existing joint venture partners or other capital providers.

The summaries of the LLC Agreement, Management Services Agreement, Asset Contribution Agreement, and Debt Contribution Agreement above do not purport to be complete and are qualified by reference to the LLC Agreement, Management Services Agreement, Asset Contribution Agreement, and Debt Contribution Agreement which are filed as exhibits to the Company's Information Statement filed on Form Schedule 14C.

Operational Highlights

Continuing Operations

Under our structure following our debt restructuring, our revenues from continuing operations consist of management fees, which we began earning on June 21, 2016, the date of the restructuring, amounted to $49,451. Our management services agreement with BRHC includes management services fees amounting to $500,000 per quarter and was effective beginning April 1, 2016. Management services fees due, amounting to $450,549, for the period from the effective date of April 1, 2016 to the date the restructuring transaction was finalized, were treated as a reduction in the amounts due to BRHC in the restructuring transaction.

General and administrative expenses from continuing operation, excluding those general and administrative expenses directly related to the oil and gas assets and debt transferred to BRHC in the restructuring were $614,661 in the three months ended June 30, 2016 as compared to $645,837 in the three months ended June 30, 2015.

Discontinued Operations

While we no longer have a direct ownership interest in oil and gas operations after the restructuring transaction, our discontinued oil and gas operations were a significant portion of our activity from April 1, 2016 to through June 21, 2016 and had the following results:

- Production was 1,319 Boe per day (82 days of production) compared to the second quarter of 2015 production of 1,123 BOE per day and 1,543 BOE per day compared to the first quarter of 2016;
- Production expenses were $6.04 per BOE, compared to $11.29 per BOE in the second quarter of 2015, largely due to lower water disposal costs and other costs on the CCU and Teton project wells which represented 58% of the oil production; and
- Realized $3.8 million of cash flow from operating activities of discontinued operations

Our production during the 82 day period up to the date of the restructuring was 108,159 Boe in the second quarter of 2015, as compared to second quarter of 2015 production of 102,182 Boe.

Oil and gas sales amounted to $2.9 million during the second quarter of 2016 as compared to $5.1 for the same period in 2015. Realized prices on a Boe basis decreased 46% before the effect of settled derivatives and 37% after the effect of settled derivatives in the second quarter of 2016 as compared to the second quarter of 2015. The realized gains on settled derivatives amounted to $1.0 million in the second quarter of 2016 and we recorded an unrealized loss of $4.3 million on the mark-to-market of derivatives through the period up to the date of debt restructuring. Significant changes in crude oil and natural gas prices have had a material impact on our results of operations and our balance sheet.

Production History

The following table presents information about our produced oil and gas volumes during the three and six month periods ended June 30, 2016 and 2015, respectively. All of this activity represents discontinued operations following the transfer of oil and gas assets as part of the BRHC transaction

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net Production:				
Oil (Bbl)	77,211	90,118	184,731	163,041
Natural gas (Mcf)	185,691	72,381	383,114	170,695
Barrel of oil equivalent (Boe)	108,159	102,182	248,583	191,490
Average Sales Prices:				
Oil (per Bbl)	$ 36.71	$ 54.71	$ 29.70	$ 47.06
Effect of oil hedges on average price (per Bbl)	$ 13.51	$ 9.40	$ 5.65	$ 12.15
Oil net of hedging (per Bbl)	$ 50.22	$ 64.11	$ 35.35	$ 59.21
Natural gas (per Mcf)	$ 0.23	$ 1.66	$ .14	$ 1.55
Realized price on a Boe basis, net of settled derivatives	$ 36.24	$ 57.71	$ 26.48	$ 51.79
Average Production Costs:				
Oil (per Bbl)	$ 8.33	$ 12.50	$ 7.51	$ 12.68
Natural gas (per Mcf)	$ 0.05	$ 0.38	$ 0.03	$ 0.45
Barrel of oil equivalent (Boe)	$ 6.04	$ 11.29	$ 5.63	$ 11.19

Depletion of Oil and Natural Gas Properties

Our depletion expense is driven by many factors including certain exploration costs involved in the development of producing reserves, production levels and estimates of proved reserve quantities and future developmental costs. The following table presents our depletion expenses for the six months ended June 30, 2016 and 2015, respectively.

	Six Months Ended June 30,	
	2016	2015
Depletion of oil and natural gas properties	$ 3,114,347	$ 5,567,776

Productive Oil Wells

The following table summarizes gross and net productive oil wells by state at June 20, 2016 (the day preceding our debt restructuring) and June 30, 2015, respectively. A net well represents our percentage ownership of a gross well. The following table does not include wells in which our interest is limited to royalty and overriding royalty interests. The following table also does not include wells which were awaiting completion, in the process of completion or awaiting flow back subsequent to fracture stimulation.

	June 20, 2016		June 30, 2015	
	Gross	Net	Gross	Net
North Dakota	352	10.64	286	8.59
Montana	5	0.37	5	0.37
Total	357	11.01	291	8.96

Results of Operations for the Three Months Ended June 30, 2016 and 2015.

While our oil and gas operations have been transferred to BRHC as result our debt restructuring, the majority of the periods presented we operated as an oil and gas company, with only nine days of the 2016 period strictly as an asset management company. As such, we are presenting the following including the results of the discontinued operations for a more constructive comparison. The following table summarizes selected items from the statement of operations combined with the results from our discontinued operations for the three months ended June 30, 2016 and 2015, respectively.

	Three Months Ended June 30,		Increase /
	2016	2015	(Decrease)
Oil and gas sales	$ 2,877,058	$ 5,050,080	$ (2,173,022)
Management fee revenue	49,451	–	49,451
Gain on settled derivatives	1,043,026	847,198	195,828
Loss on mark-to-market of derivatives	(4,272,849)	(1,956,155)	(2,316,694)
Total revenues:	(303,314)	3,941,123	(4,244,437)
Operating expenses:			
Production expenses	652,882	1,153,663	(500,781)
Production taxes	292,080	555,152	(263,072)
General and administrative	925,722	730,445	195,277
Depletion of oil and gas properties	1,091,843	2,937,744	(1,845,901)
Impairment of oil and natural gas properties	–	21,639,000	(21,639,000)
Accretion of discount on ARO	8,125	7,932	193
Depreciation and amortization	3,479	4,009	(530)
Total operating expenses:	2,974,131	27,027,945	(24,053,814)
Net operating income (loss)	(3,277,445)	(23,086,822)	19,809,377
Total other income (expense)	41,359,252	(1,540,465)	42,899,717
Net income (loss) before provision for income taxes	38,081,807	(24,627,287)	62,709,094
Provision for income taxes	–	5,957,649	(5,957,649)
Net income (loss)	$ 38,081,807	$ (18,669,638)	$ 56,751,445

Oil and Natural Gas Sales

We recognized $2,877,058 in revenues from sales of crude oil and natural gas, excluding gains on derivatives, for the three months ended June 30, 2016, compared to revenues of $5,050,080 for the three months ended June 30, 2015, a decrease of $2,173,022, or 43%. The decrease in revenues was driven by a 46% decrease in prices on a BOE basis before the effects of derivatives, partially offset by a 6% increase in production on a BOE basis. We had 11.01 net producing wells as of June 20, 2016 (prior to our restructuring), compared to 8.96 net producing wells as of June 30, 2015.

Included in the revenues for the three month period ended June 30, 2015 were revenues of $1,264,226 related to production from prior periods for the Dahl Federal. Recognition of the Dahl Federal revenues continues to be delayed until title issues related to riparian rights in the Missouri River were resolved.

Management Fee Revenue

Management fees represent fees of $49,451 earned for the nine day period following the completion of the BRHC transaction.

Derivatives

For the three months ended June 30, 2016, we had a gain on settled derivatives of $1,043,026, compared to a gain on settled derivatives of $847,198 for the same period in 2015.

We had a mark-to-market derivative loss of $4,272,849 in the three months ended June 30, 2016, resulting in a net derivative liability of $3,134,336 as of the date of the transfer to BRHC, largely due to a rebound in market prices for oil during the quarter. In the second quarter of 2015, we had mark-to-market losses of $1,956,155.

Production Expenses

Production expenses were $652,882 and $1,153,663 for the three months ended June 30, 2016 and 2015, respectively, a decrease of $500,781, or 43%. Our production expenses are lower than the comparative period due decreased water disposal and other costs, primarily in our Teton Project and CCU Project areas where water cuts are lower and capital has been deployed to help drive down water disposal costs. On a per unit basis, production expenses decreased from $11.29 per Boe in the three months ended June 30, 2015 to $6.04 per Boe in the three months ended June 30, 2016. The decrease in production expenses on a BOE basis was again the result of lower water disposal costs.

Production expenses for the three month period ended June 30, 2015 included production expenses of $83,477 related to production from prior periods for the Dahl Federal. Recognition of the Dahl Federal revenue and expenses were delayed until title issues related to riparian rights in the Missouri River were resolved.

Production Taxes

Our production taxes were $292,080 and $555,152 for the three months ended June 30, 2016 and 2015, respectively, a decrease of $263,072, or 47%. Production taxes are paid based on realized oil and natural gas sales. Production taxes represented 10.2% and 11.0% of oil and gas sales in the three months ended June 30, 2016 and 2015, respectively. The decrease corresponds to a reduction in the North Dakota oil tax rate from 10.5% of revenue to 10.0% of revenue.

Production taxes for the three month period ended June 30, 2015 included production taxes of $140,382 related to production from prior periods for the Dahl Federal. Recognition of the Dahl Federal revenues and expenses was delayed until title issues related to riparian rights in the Missouri River were resolved.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2016 were $925,722, compared to $730,445 for the three months ended June 30, 2015, an increase of $195,277, or 27%. The increase in general and administrative expenses was primarily due to legal and other costs associated with the BRHC transaction. General and administrative expenses per Boe produced increased from $7.15 to $8.56.

Depletion of Oil and Natural Gas Properties

Our depletion expense is driven by many factors, including certain exploration costs involved in the development of producing reserves, production levels and estimates of proved reserve quantities and future developmental costs. We recognized depletion expense of $1,091,843 and $2,937,744 for the three months ended June 30, 2016 and 2015, respectively, a decrease of $1,845,901, or 63%. The decrease was due to impairment write-downs reducing the basis in our full cost pool over 2015 and the first half of 2016 with the continuing slump in oil prices.

Impairment of Oil and Natural Gas Properties

As a result of current prevailing low commodity prices and their effect on the proved reserve values of properties in 2015 and 2016 we recorded a non-cash ceiling test impairment of $21,639,000 or $211.77 per Boe for the three months ended June 30, 2015. No such impairment was taken in 2016 prior to the transfer of our oil and gas assets to BRHC. The impairment charge affected our reported net income but did not reduce our cash flow.

Depreciation and Accretion

Depreciation expense for the three months ended June 30, 2016 was $3,479, compared to $4,009 for the three months ended June 30, 2015. Accretion of the discount on asset retirement obligations was $8,125 and $7,932 for the three month periods ended June 30, 2016 and 2015, respectively.

Other Income and (Expense)

Other income and (expense) for the three months ended June 30, 2016 was $41,359,252, compared to ($1,540,465) for the three months ended June 30, 2015. The net other income and (expense) for the three months ended June 30, 2016 consisted of a gain on debt restructuring of $41,621,150, as the conversion of debt to equity within BRHC and our retention of 3.88% ownership interest in BRHC exceeded the net book value of the assets and labilities we transferred to BRHC, and ($261,898) of interest expense. Interest expense in the 2016 period included $330,740 of PIK interest applied to our debt balances. The net other income and (expense) for the three months ended June 30, 2015 consisted of $6,707 of other income and ($1,547,172) of interest expense. Interest expense included $161,355 of amortized warrant costs, $42,459 of amortization related to original issue discounts, $320,805 of PIK interest applied to our debt balances and $94,458 of amortized debt financing costs for the three months ended June 30, 2015. Additionally, we capitalized $139,340 of interest expense into our full cost pool related to interest costs incurred while our wells were being drilled and completed.

Provision for Income Taxes

We had no income tax expense or benefit for the three months ended June 30, 2016 as the Company reserved against the deferred tax asset due the uncertainty of realization of the benefit. We had income tax benefits of $5,957,649 for the three months ended June 30, 2015 driven by the Company's loss before provision for income taxes of $24,627,287.

Results of Operations for the Six Months Ended June 30, 2016 and 2015.

While our oil and gas operations have been transferred to BRHC as result our debt restructuring, the majority of the periods presented we operated as an oil and gas company, with only nine days of the 2016 period strictly as an asset management company. As such, we are presenting the following including the results of the discontinued operations for a more constructive comparison. The following table summarizes selected items from the statement of operations combined with the results from our discontinued operations for the six months ended June 30, 2016 and 2015, respectively.

	Six Months Ended June 30,		Increase /
	2016	2015	(Decrease)
Oil and gas sales	$ 5,539,613	$ 7,936,536	$ (2,396,923)
Gain on settled derivatives	1,043,026	1,980,619	(937,593)
Loss on mark-to-market of derivatives	(4,288,736)	(1,588,826)	(2,699,910)
Management fee revenues	49,451	–	49,451
Total revenues:	2,343,354	8,328,329	(5,984,975)
Operating expenses:			
Production expenses	1,400,639	2,143,520	(742,881)
Production taxes	568,028	841,344	(273,316)
General and administrative	1,776,030	1,540,453	235,577
Depletion of oil and gas properties	3,114,347	5,567,776	(2,453,429)
Impairment of oil and gas properties	5,219,000	21,639,000	(16,420,000)
Accretion of discount on ARO	16,258	15,861	397
Depreciation and amortization	7,364	8,276	(912)
Total operating expenses:	12,101,666	31,756,230	(19,654,564)
Net loss	(9,758,312)	(23,427,901)	13,669,589
Total other income (expense)	39,924,606	(3,107,713)	43,032,319
Income (loss) before provision for income taxes	30,166,294	(26,535,614)	56,701,908
Provision for income taxes	–	6,593,040	(6,593,040)
Net income (loss)	$ 30,166,294	$ (19,942,574)	$ 50,108,868

Oil and Natural Gas Sales

We recognized $5,539,613 in revenues from sales of crude oil and natural gas, excluding gains on derivatives, for the six months ending June 30, 2016, compared to revenues of $7,936,536 for the six months ending June 30, 2015, a decrease of $2,396,923, or 30%. The decrease in revenues was driven by a 46% decrease in prices on a BOE basis before the effects of derivatives, offset by a 30% increase in production on a BOE basis. We had 11.01 net producing wells as of June 30, 2016, compared to 8.96 net producing wells as of June 30, 2015.

Management Fee Revenue

Management fees represent fees of $49,451 earned for the nine day period following the completion of the BRHC transaction.

Derivatives

For the six months ending June 30, 2016, we had a gain on settled derivatives of $1,043,026, compared to a gain on settled derivatives of $1,980,619 for the same period in 2015.

We had a mark-to-market derivative loss of $4,288,736 in the six months ending June 30, 2016, resulting in a net derivative liability of $3,134,336 as of the date of the transfer to BRHC, largely due to a rebound in market prices for oil during the latter half of the period. In the six month period ended June 30, 2015 we had mark-to-market losses of $1,588,826.

Production Expenses

Production expenses were $1,400,639 and $2,143,520 for the six months ending June 30, 2016 and 2015, respectively, a decrease of $742,881, or 35%. On a per unit basis, production expenses decreased from $11.19 per Boe in the six months ending June 30, 2015 to $5.63 per Boe in the six months ending June 30, 2016. The decrease in production expenses was primarily a result of decreased water disposal costs as the wells put into production during the latter half of 2015 had lower water cuts and water disposal costs than the balance of our producing wells and workover expenses were lower in the 2016 period as compared to the 2015 period when we experienced high levels of workover expenses on wells shut-in while neighboring wells were completed.

Production Taxes

Our production taxes were $568,028 and $841,344 for the six months ending June 30, 2016 and 2015, respectively, a decrease of $273,316, or 32%. Production taxes are paid based on realized oil and natural gas sales. Production taxes represented 10.3% and 10.6% of oil and gas sales in the six months ending June 30, 2016 and 2015, respectively. The decrease corresponds to a reduction in the North Dakota oil tax rate from 10.5% of revenue to 10.0% of revenue.

General and Administrative Expenses

General and administrative expenses for the six months ending June 30, 2016 were $1,776,030, compared to $1,540,453 for the six months ending June 30, 2015, an increase of $235,577, or 15%. The increase in general and administrative expenses was primarily due to legal and other costs associated with the BRHC transaction. General and administrative expenses per Boe produced decreased from $8.04 to $7.14 due to increased production, particularly in the first quarter of 2016.

Depletion of Oil and Natural Gas Properties

Our depletion expense is driven by many factors, including certain exploration costs involved in the development of producing reserves, production levels and estimates of proved reserve quantities and future developmental costs. We recognized depletion expense of $3,114,347 and $5,567,776 for the six months ending June 30, 2016 and 2015, respectively, a decrease of $2,453,429, or 44%. The decrease was due primarily to decreases in the full cost pool due to the impairment losses of $71,272,000 taken in 2015 and $5,219,000 in the first quarter of 2016, offset by increased production. Depletion expense per Boe produced decreased from $29.08 in 2015 to $12.53 in 2016.

Impairment of Oil and Natural Gas Properties

As a result of currently prevailing low commodity prices and their effect on the proved reserve values of properties in throughout 2015 and the first half of 2016, we recorded a non-cash ceiling test impairment of $5,219,000 and $21,639,000 for the six months ended June 30, 2016 and 2015, respectively, or $20.99 and $113.00 per Boe, respectively for the same periods. The impairment charge affected our reported net income but did not reduce our cash flow.

Depreciation and Accretion

Depreciation expense for the six months ending June 30, 2016 was $7,364, compared to $8,276 for the six months ending June 30, 2015. Accretion of the discount on asset retirement obligations was $16,258 and $15,861 for the three month periods ended June 30, 2016 and 2015, respectively.

Other Income and (Expense)

Other income and (expense) for the six months ended June 30, 2016 was $39,924,606 compared to ($3,107,713) for the six months ended June 30, 2015. The net other income and (expense) for the six months ended June 30, 2016 consisted of a gain on debt restructuring of $41,621,150, as the conversion of debt to equity within BRHC and our retention of 3.88% ownership interest in BRHC exceeded the net book value of the assets and labilities we transferred to BRHC, and ($1,696,544) of interest expense. Interest expense in the 2016 period included $330,740 of PIK interest applied to our debt balances. The net other income and (expense) for the six months ended June 30, 2015 consisted of $3,114,420 of interest expense and $6,707 of other income. The $3,114,420 of interest expense included $321,763 of amortized warrant costs, $84,858 of amortization related to original issue discounts, $634,919 of PIK interest applied to our debt balances and $190,780 of amortized debt financing costs for the six months ended June 30, 2015. Additionally, we capitalized $295,331 of interest expense into our full cost pool related to interest costs incurred while our wells were being drilled and completed.

Provision for Income Taxes

We had no income tax benefit or expense in the six months ending June 30, 2016 and an income tax benefit of $6,593,040 for the six months ending June 30, 2015. In 2016, we could not recognize a tax benefit as we reserved against the deferred tax asset due to the uncertainty of the realization of the benefit. The tax benefit for the six months ending June 30, 2015 was primarily driven by the Company's loss before provision for income taxes of $26,535,614.

Non-GAAP Financial Measures

In addition to reporting net income (loss) as defined under GAAP, we also present Adjusted Net Income (Loss) and Adjusted EBITDA. We define Adjusted Net Income (Loss) as net income (loss) excluding (i) gain on debt restructuring, net of tax, (ii) net of losses on the mark-to-market of derivatives, net of tax, and (iii) impairment of oil and gas assets, net of tax. We define Adjusted EBITDA as net income before (i) gain on debt restructuring, (ii) interest expense, (iii) income taxes, (iv) depreciation, depletion and amortization, (v) impairment of oil and natural gas properties, (vi) accretion of abandonment liability, (vii) loss on the mark-to-market of derivatives, and (viii) non-cash expenses relating to share based payments recognized under ASC Topic 718. We believe the use of non-GAAP financial measures provides useful information to investors regarding our current financial performance; however, Adjusted Net Income (Loss) and Adjusted EBITDA do not represent, and should not be considered alternatives to GAAP measurements. We believe these measures are useful in evaluating our fundamental core operating performance. Specifically, we believe the non-GAAP Adjusted Net Income (Loss) and Adjusted EBITDA results provide useful information to both management and investors by excluding certain income and expenses that our management believes are not indicative of our core operating results. Although we use Adjusted Net Income (Loss) and Adjusted EBITDA to manage our business, including the preparation of our annual operating budget and financial projections, we believe that non-GAAP financial measures have limitations and do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP financial measures. A reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income, GAAP, are included below:

Black Ridge Oil & Gas, Inc.
Reconciliation of Adjusted Net Income (Loss)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss)	$ 38,081,807	$ (18,669,638)	$ 30,166,294	$ (19,942,574)
Add back:				
Gain on debt restructuring, net of tax [a]	(41,621,150)	–	(41,621,150)	–
Loss on mark-to-market of derivatives, net of tax [b]	4,272,849	1,467,155	4,288,736	1,191,826
Impairment of oil and gas properties, net of tax [c]	–	16,229,000	5,219,000	16,229,000
Adjusted net income (loss)	$ 733,506	$ (973,483)	$ (1,947,120)	$ (2,521,748)
Weighted average common shares outstanding - basic	47,979,990	47,979,990	47,979,990	47,979,990
Weighted average common shares outstanding - fully diluted	48,058,679	47,979,990	48,056,573	47,979,990
Net income (loss) per common share – basic	$ 0.79	$ (0.39)	$ 0.63	$ (0.42)
Add:				
Change due to gain on debt restructuring, net of tax	(0.87)	–	(0.87)	–
Change due to loss on mark-to- market of derivatives, net of tax	0.09	0.03	0.09	0.03
Change due to impairment of oil and gas properties, net of tax	–	0.34	0.11	0.34
Adjusted net income (loss) per common share – basic	$ 0.01	$ (0.02)	$ (0.04)	$ (0.05)
Net income (loss) per common share –fully diluted	$ 0.79	$ (0.39)	$ 0.63	$ (0.42)
Add:				
Change due to gain on debt restructuring, net of tax	(0.87)	–	(0.87)	–
Change due to loss on mark-to- market of derivatives, net of tax	0.09	0.03	0.09	0.03
Change due to impairment of oil and gas properties, net of tax	–	0.34	0.11	0.34
Adjusted net income (loss) per common share – fully diluted	$ 0.01	$ (0.02)	$ (0.04)	$ (0.05)

[a] Adjusted to reflect tax expense, computed based on our effective tax rate of approximately 0% in 2016.

[b] Adjusted to reflect tax expense, computed based on our effective tax rate of approximately 0% in 2016 and 25% in 2015, of $-0- and $489,000 for the three month ended June 30, 2016 and 2015, respectively, and $-0- and $397,000 for the six months ended June 30, 2016 and 2015, respectively.

[c] Adjusted to reflect tax expense, computed based on our effective tax rate of approximately 0% in 2016 and 25% in 2015, of $-0- and $5,410,000 for the three month ended June 30, 2016 and 2015, respectively, and $-0- and $5,410,000 for the six months ended June 30, 2016 and 2015, respectively.

Black Ridge Oil & Gas, Inc.
Reconciliation of Adjusted EBITDA
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss)	$ 38,081,807	$ (18,669,638)	$ 30,166,294	$ (19,942,574)
Add back:				
Gain on debt restructuring	(41,621,150)	–	(41,621,150)	–
Interest expense, net, excluding amortization of warrant based financing costs	261,898	1,385,837	1,696,544	2,792,657
Income tax provision	–	(5,957,649)	–	(6,593,040)
Depreciation, depletion, and amortization	1,095,322	2,941,753	3,121,711	5,576,052
Impairment of oil and gas properties	–	21,639,000	5,219,000	21,639,000
Accretion of abandonment liability	8,125	7,932	16,258	15,861
Share based compensation	157,824	314,162	315,648	635,514
Loss on mark-to market of derivatives	4,272,849	1,956,155	4,288,736	1,588,826
Adjusted EBITDA	$ 2,256,675	$ 3,617,552	$ 3,203,041	$ 5,712,296

Our adjusted EBITDA for the three and six month periods ended June 30, 2015 includes income from the Dahl Federal well that was recognized in those periods based on activity in prior periods of $1,040,397 and $1,027,995, respectively.

Liquidity and Capital Resources

The following table summarizes our total current assets, liabilities and working capital at June 30, 2016 and December 31, 2015, respectively.

	June 30, 2016	December 31, 2015
Current Assets	$ 1,106,188	$ 6,457,840
Current Liabilities	$ 1,084,651	$ 68,312,897
Working Capital	$ 21,537	$ (61,855,057)

As of June 30, 2016 we had positive working capital of $21,537.

The following table summarizes our cash flows during the three month periods ended June 30, 2016 and 2015, respectively.

	Six Months Ended June 30,	
	2016	2015
Net cash provided by operating activities	$ 3,923,879	$ 5,544,080
Net cash used in investing activities	(4,763,506)	(12,574,179)
Net cash provided by financing activities	1,650,000	7,150,000
Net change in cash and cash equivalents	$ 810,373	$ 119,901

Our net cash flows from operations are primarily affected by production volumes and commodity prices. Net cash provided by operating activities was $3,923,879 and $5,544,080 for the six months ended June 30, 2016 and 2015, respectively, a decrease of $1,620,201. The increase was due primarily to cash provided from operating activities of discontinued operations. Cash provided from operating activities of discontinued operations was $3,829,723 and $6,512,822, for the six month periods ended June 30, 2016 and 2015, respectively, the decrease driven primarily due to lower commodity prices.

Net cash used in investing activities was $4,763,506 and $12,574,179 for the six months ended June 30, 2016 and 2015, respectively, a decrease of $7,810,673. All of our investing activity in both periods was derived from discontinued operations. We paid $4,858,134 for well development during the 2016 period while in the 2015 period we spent $12,574,251 for well development. Additionally, the decrease in cash used in investing activities was attributable to a decrease in cash spent for property acquisition as we purchased no property during the six months ended June 30, 2016 as compared to purchasing 9 net leasehold acres of oil and gas properties for $102,928 in the six months ended June 30, 2015. In the six months ended June 30, 2016 we sold 14 net leasehold acres for proceeds of $94,628, while in the comparable 2015 period we sold 9 net leasehold acres and two wellbores for proceeds of $103,000.

Net cash provided from financing was $1,650,000 and $7,150,000 for the six months ended June 30, 2016 and 2015, respectively, all due to net borrowings for discontinued operations.

BRHC Transaction

As described above in “Recent Developments,” on March 29, 2016, the Company entered into an Asset Contribution Agreement with Black Ridge Holding Company, LLC, a Delaware limited liability company (“BRHC”) which was recently formed by the Company to contribute and assign to BRHC, all of the Company's (i) oil and gas assets (including working capital and tangible and intangible assets) (the “Assets”), (ii) outstanding balances under that certain Credit Agreement between the Company, as borrower, and Cadence Bank, N.A. (“Cadence”), as lender (the “Cadence Credit Facility”) and the outstanding balances under that certain Credit Agreement between the Company, as borrower, and the several banks and other financial institutions or entities from time to time parties thereto (the “Chambers”), and Chambers, as administrative agent (the “Chambers Credit Facility”) and (iii) all current liabilities related to the Assets, in exchange for 5% of the issued and outstanding Class A Units (the “Class A Units”) in BRHC (the “Asset Contribution”). On March 29, 2016, affiliates of Chambers Energy Management, LP (“Chambers”) (specifically, Chambers Energy Capital II, LP and CEC II TE, LLC (collectively, the “Chambers Affiliates”)) entered into a Debt Contribution Agreement between BRHC and the Chambers Affiliates, pursuant to which BRHC will issue a number of Class A Units representing 95% of the Class A Units of BRHC to the Chambers Affiliates in exchange for the release of BRHC's obligations under the Chambers Credit Facility (the “Satisfaction of Debt” and, together with the Asset Contribution, the “BRHC Transaction”). Concurrent with the Satisfaction of Debt, each warrant originally issued with the Chambers Credit Facility shall be automatically retired and cancelled. The closing of the BRHC Transaction was subject to the Company obtaining the approval of stockholders holding a majority of its outstanding capital stock and to the Company having assigned the Cadence Credit Agreement to BRHC with Cadence’s consent, and BRHC and Cadence entering into any applicable amendment agreements related to such assignment and waiver of financial covenant ratio compliance for the quarter ended December 31, 2015 and quarter ending March 31, 2016. On June 21, 2016, the Company satisfied all of these conditions and the BRHC Transaction has been consummated. The parties have agreed that the BRHC Transaction, the Asset Contribution and the Satisfaction of Debt are effective as of April 1, 2016.

The terms of the Class A Units of BRHC are set forth in the limited liability company agreement of BRHC (the "LLC Agreement"), which became effective upon the closing of the BRHC Transaction. All distributions by BRHC of cash or other property, and whether upon liquidation or otherwise, will be made as follows:

- First, 100% to the Class A Members, pro rata, until each Class A Member has received distributions in aggregate totaling the then Class A Preference, which is an amount equal to a 10.0% internal rate of return on the invested capital amount.
- Second, 90% to the Class A Members, pro rata, and 10% to the Class B Members, pro rata, until such time as the aggregate distributions to Chambers equals 250% of the capital contribution of its Class A Units.
- Third, 80% to the Class A Members, pro rata, and 20% to the Class B Members, pro rata.

BRHC will be managed by the BRHC Board, which will be responsible for the conduct of the day-to-day business of BRHC and the management, oversight and disposition of the assets of BRHC. The initial BRHC Board will be comprised of three managers, consisting of two managers appointed by Chambers and one member from the Company.

In addition, under the LLC Agreement, Chambers committed to contribute up to $30 million cash (the "Chambers Investment Commitment") to BRHC in exchange for Class A Units. At Closing, Chambers funded $10 million (the "Initial Chambers Investment") of the Chambers Investment Commitment, the proceeds of which were used to reduce outstanding amounts owed by BRHC to Cadence under the Cadence Credit Facility and for general corporate purposes. The remaining $20 million (the "Subsequent Chambers Investment"), subject to certain conditions, may be called from time to time during the Investment Period by the board of managers of BRHC (the "BRHC Board"). The Initial Chambers Investment and any Subsequent Chambers Investment shall serve to proportionately reduce the Company's Class A Units percentage ownership in BRHC. The investment period shall be the lesser of three years or such time as the entire Chambers Investment Commitment has been called by the BRHC Board (the "Investment Period"). Any portion of Chambers Investment Commitment not called by the BRHC Board prior to the expiration of the Investment Period will be cancelled. In no event will Chambers be required to make a capital contribution in an amount in excess of its undrawn commitment.

The Company was granted 1,000,000 Class B Units in BRHC at the Closing of the BRHC Transaction. At the discretion of the BRHC's Board of Managers, the Company may be granted additional Class B Units in BRHC, and in turn, the Company may transfer such Class B Units to certain members of the Company's management. Subject to certain conditions, the Class B Units will entitle the holders to participate in any future distributions of BRHC after distributions equal to the capital contributions and preferred return have been made to the holders of Class A Units of BRHC.

At the closing of the BRHC Transaction, the Company entered into a Management Services Agreement with BRHC. Under the Management Services Agreement, the Company will provide services to BRHC with respect to the business operations of BRHC, including but not limited to locating, investigating and analyzing potential non-operator oil and gas projects and day-to-day operations related to such projects. The Company will be paid a fee under the Management Services Agreement intended to cover the costs of providing such services and will be reimbursed for certain third party expenses. The term of the Management Services Agreement commenced on the closing of the BRHC Transaction and continues indefinitely, unless terminated. The Management Services Agreement provides termination provisions upon reasonable notice for both the BRHC and the Company as well as upon a change of control, provided that if the Management Services Agreement is terminated before December 31, 2016 that BRHC shall pay the Company a termination fee equal to the amount that would have been paid if the Management Services Agreement was in place until December 31, 2016.

The Company believes that the BRHC Transaction and related actions will allow the Company to continue as a manager of the oil and gas assets in which we will continue to have an indirect minority interest. In addition, it will give us the flexibility to pursue distressed asset acquisitions in the Bakken and/or Three Forks formation that may be acquired with capital from our secured lenders as part of the restructuring terms, existing joint venture partners or other capital providers.

The summaries of the LLC Agreement, Management Services Agreement, Asset Contribution Agreement, and Debt Contribution Agreement above do not purport to be complete and are qualified by reference to the LLC Agreement, Management Services Agreement, Asset Contribution Agreement, and Debt Contribution Agreement which are filed as exhibits to the Company's Information Statement filed on Form Schedule 14C.

Senior Credit Facility and Subordinated Credit Facilities

The Company, as borrower, entered into a Credit Agreement dated August 8, 2013 and amendments thereto dated December 13, 2013, March 24, 2014, April 21, 2014, September 11, 2014, March 30, 2015 and August 10, 2015 (as amended, the "Senior Credit Agreement*"*) with Cadence Bank, N.A. ("Cadence"), as lender (the "Senior Credit Facility"). Under the terms of the Senior Credit Agreement, a senior secured revolving line of credit in the maximum aggregate principal amount of $50 million is available from time to time (i) for direct investment in oil and gas properties, (ii) for general working capital purposes, including the issuance of letters of credit, and (iii) to refinance the then existing debt under the Company's former credit facility.

Availability under the Senior Credit Facility was at all times subject to the then-applicable borrowing base, determined by Cadence in a manner consistent with the normal and customary oil and gas lending practices of Cadence. Availability was initially set at $7 million and was subject to periodic redeterminations. Subject to availability under the borrowing base, the Company could borrow, repay and re-borrow funds in amounts of $250,000 or more. At the Company's election, the unpaid principal balance of any borrowings under the Senior Credit Facility may bear interest at either (i) the Base Rate, as defined in the Senior Credit Facility, plus the applicable margin, which varies from 1.00% to 1.50% or (ii) the LIBOR rate, as defined in the Senior Credit Facility, plus the applicable margin, which varies from 3.00% to 3.50%. Interest was payable for Base Rate loans on the last business day of the month and for LIBOR loans on the last LIBOR business day of each LIBOR interest period. The Company was also required to pay a quarterly fee of 0.50% on any unused portion of the borrowing base, as well as a facility fee of 0.90% of the initial and any subsequent additions to the borrowing base.

The Senior Credit Facility's maturity date of August 8, 2016, was subsequently amended to January 15, 2017 pursuant to the amendment on March 30, 2015. The Company could prepay the entire amount of Base Rate loans at any time, and could prepay the entire amount of LIBOR loans upon at least three business days' notice to Cadence. The Senior Credit Facility was secured by first priority interests in mortgages on substantially all of the Company's assets, including but not limited to the Company's mineral interests in North Dakota and Montana.

As part of the debt restructuring outline in Note 4 – Debt Restructuring, the Company transferred the obligation with a balance outstanding of $29,400,000 under the Senior Credit Facility to BRHC. The Company had borrowings of $27.75 million outstanding under the Senior Credit Agreement as of December 31, 2015.

Subordinated Credit Facility

The Company, as borrower, entered into a Second Lien Credit Agreement dated August 8, 2013 and amendments thereto dated December 13, 2013, March 24, 2014, April 21, 2014, September 11, 2014, March 30, 2015, and August 10, 2015 (as amended, the "Subordinated Credit Agreement") by and among the Company, as borrower, Chambers Energy Management, LP, as administrative agent ("Chambers"), and the several other lenders named therein (the "Subordinated Credit Facility"). Under the Subordinated Credit Facility, term loans in the aggregate principal amount of up to $75 million are available from time to time (i) to repay the Previous Credit Facility, (ii) for fees and closing costs in connection with both the Senior Credit Facility and the Subordinated Credit Facility (together, the "Credit Facilities"), and (iii) general corporate purposes.

The Subordinated Credit Agreement provided initial commitment availability of $25 million, which was subsequently amended to the current availability of $30 million, with the remaining commitments subject to the approval of Chambers and other customary conditions. The Company may borrow the available commitments in amounts of $5 million or more and shall not request borrowings of such loans more than once a month, provided that the initial draw was at least $15 million. Loans under the Subordinated Credit Facility shall be funded net of a 2% OID. The unpaid principal balance of borrowings under the Subordinated Credit Facility bears interest at the Cash Interest Rate plus the PIK Interest Rate. The Cash Interest Rate is 9.00% per annum plus a rate per annum equal to the greater of (i) 1.00% and (ii) the offered rate for three-month deposits in U.S. dollars that appears on Reuters Screen LIBOR 01 as of 11:00 a.m. (London time) on the second full LIBOR business day preceding the first day of each calendar quarter. The PIK Interest Rate is equal to 4.00% per annum. Interest is payable on the last day of each month. The Company is also required to pay an annual nonrefundable administration fee of $50,000 and a monthly availability fee computed at a rate of 0.50% per annum on the average daily amount of any unused portion of the available amount under the commitment.

The Subordinated Credit Facility matured on June 30, 2017. Upon at least three business days' written notice, the Company could prepay the entire amount under the loans, together with accrued interest. Each prepayment made prior to the second anniversary of the funding date, as defined in the Subordinated Credit Facility, would be accompanied by a make-whole amount, as defined in the Subordinated Credit Agreement. Prepayments made on or after the second anniversary of the funding date were accompanied by an applicable premium, as set forth in the Subordinated Credit Agreement. The Subordinated Credit Facility was secured by second priority interests on substantially all of the Company's assets, including but not limited to second priority mortgages on the Company's mineral interests in North Dakota and Montana.

The first funding from the Subordinated Credit Facility occurred on September 9, 2013 at which time we drew $14,700,000, net of a $300,000 original issue discount, from the Subordinated Credit Agreement and used $10,226,057 of those proceeds to repay and terminate a previously outstanding revolving credit facility. We had drawn an additional $14,700,000, net of $300,000 original issue discounts, through December 31, 2015. The Company had borrowings of $30.0 million outstanding under the Subordinated Credit Facility as of December 31, 2015. The obligations under the Subordinated Credit Facility, $30.0 million of principal and $2,931,369 of PIK interest payable, were transferred to BRHC and converted to equity in BRHC as part of the debt restructuring outlined in Note 4- Debt Restructuring.

Intercreditor Agreements and Covenants

Cadence and Chambers had entered into an Intercreditor Agreement dated August 8, 2013 (the "Intercreditor Agreement"). The Intercreditor Agreement provides that any liens on the assets of the Company securing indebtedness under the Subordinated Credit Facility are subordinate to liens on the assets securing indebtedness under the Senior Credit Facility and sets forth the respective rights, obligations and remedies of the lenders under the Senior Credit Facility with respect to their first priority liens and the lenders under the Subordinated Credit Facility with respect to their second priority liens.

The Credit Facilities, as amended, required customary affirmative and negative covenants for credit facilities of the respective types and sizes for companies operating in the oil and gas industry, as well as customary events of default. Furthermore, the Credit Facilities contain financial covenants that require the Company to satisfy certain specified financial ratios. The Senior Credit Agreement requires the Company to maintain, as of the last day of each fiscal quarter of the Company, (i) a collateral coverage ratio (reserve value plus consolidated working capital to adjusted indebtedness) of at least 0.65 to 1.00 through the quarter ending June 30, 2014, 0.70 to 1.00 for the quarters ending September 30, 2014 and December 31, 2014, was waived for the quarters ending March 31, 2015 and June 30, 2015, and 0.70 to 1.00 for the quarter ending September 30, 2015, and 0.80 to 1.00 for the quarter ending December 31, 2015 and thereafter, (ii) a ratio of current assets, including debt facility available to be drawn, to current liabilities of a minimum of 1.0 to 1.0, except for the quarter ending June 30, 2014, which was waived, (iii) a net debt to EBITDAX, as defined in the Senior Credit Agreement, ratio of 3.75 to 1.00 for the quarter ended March 31, 2014, 4.25 to 1.00 for the quarters ended June 30, 2014 and September 30, 2014, 4.00 to 1.00 for the quarter ended December 31, 2014, was waived for the quarters ended March 31, 2015 and June 30, 2015, and 3.50 to 1.00 for the quarter ending September 30, 2015, and 3.65 to 1.00 for the quarter ending December 31, 2015, and 3.50 to 1.00 for the quarter ending March 31, 2016 and thereafter, in each case calculated on a modified trailing four quarter basis, (iv) a maximum senior leverage ratio of not more than 2.5 to 1.0 calculated on a modified trailing four quarter basis, and (v) a minimum interest coverage ratio of not less than 3.0 to 1.0. The Subordinated Credit Agreement requires the Company to maintain, as of the last day of each fiscal quarter of the Company, (i) a collateral coverage ratio (reserve value plus consolidated working capital to adjusted indebtedness) of at least 0.65 to 1.00 through the quarter ending June 30, 2014, 0.70 to 1.00 for the quarters ending September 30, 2014 and December 31, 2014, was waived for the quarters ending March 31, 2015 and June 30, 2015, and 0.70 to 1.00 for the quarter ending September 30, 2015, and 0.80 to 1.00 for the quarter ending December 31, 2015 and thereafter, (ii) a consolidated net leverage ratio (adjusted total indebtedness less the amount of unrestricted cash equivalents to consolidated EBITDA) of no more than 3.75 to 1.00 for the quarter ending March 31, 2014, 4.25 to 1.00 for the quarters ending June 30, 2014 and September 30, 2014, 4.00 to 1.00 for the quarter ending December 31, 2014, was waived for the quarters ending March 31, 2015 and June 30, 2015, and 3.50 to 1.00 for the quarter ending September 30, 2015, and 3.65 to 1.00 for the quarter ending December 31, 2015, and 3.50 to 1.00 for the quarter ending March 31, 2016 and thereafter, calculated on a modified trailing four quarter basis, (iii) a consolidated cash interest coverage ratio (consolidated EBITDA to consolidated cash interest expense) of no less than 2.5 to 1.0, calculated on a modified trailing four quarter basis and (iv) a ratio of consolidated current assets to consolidated current liabilities of at least 1.0 to 1.0, except for the quarter ending June 30, 2015 when the covenant was waived. In addition, each of the Credit Facilities required that the Company enter into hedging agreements based on anticipated oil production from currently producing wells as agreed to by the lenders.

Covenant Violations

The Company was out of compliance with the collateral coverage ratio covenant as of March 31, 2016 and December 31, 2015 and the current ratio covenant as defined by the Subordinated Credit Facility as of March 31, 2016. Additionally, the audit report the Company received with respect to its financial statements as of December 31, 2015 contains an explanatory paragraph expressing uncertainty as to the Company's ability to continue as a going concern, the delivery of which constitutes a default under both its Senior Credit Facility and Subordinated Credit Facility. See Note 3, "Going Concern", for additional information. The Company received a waiver for all debt covenants as of December 31, 2015 and March 31, 2016 as part of the debt restructuring outlined in Note 4 – Debt Restructuring.

Debt Discount, Detachable Warrants

In connection with the Subordinated Credit Facility, the Company agreed to issue to the lenders detachable warrants to purchase up to 5,000,000 shares of the Company's common stock at an exercise price of $0.65 per share. The warrants expire on August 8, 2018. Proceeds from the loan were allocated between the debt and equity based on the relative fair values at the time of issuance, resulting in a debt discount of $2,473,576 at issuance that is presented as a debt discount on the balance sheet and is being amortized using the effective interest method over the life of the credit facility, which matures on June 30, 2017. A total of $-0- and $321,763 was amortized during the six months ended June 30, 2016 and 2015. The remaining unamortized balance of the debt discount attributable to the warrants is $-0- as of June 30, 2016. The amortization of the debt discount attributable to the warrants was accelerated in 2015 to fully amortize the discount as of December 31, 2015 when the related debt became payable on demand due to a default on the related debt. As part of the debt restructuring all related warrants were retired and cancelled.

Satisfaction of our cash obligations for the next 12 months

As of June 30, 2016, our balance of cash and cash equivalents was $1,038,567 and we had $21,537 of working capital. Following the close of the BRHC Transaction, our plan for satisfying our cash requirements for the next twelve months is through the terms of our management agreement.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of financial conditions and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of these financial statements required us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. On an ongoing basis, we evaluate these estimates and judgments. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results and experiences may differ materially from these estimates.

Our critical accounting policies are more fully described in Note 1 of the footnotes to our financial statements appearing elsewhere in this Form 10-Q, and Note 2 of the footnotes to the financial statements provided in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Commodity Price Risk

Prior to the BRHC Transaction, the prices we received for our crude oil and natural gas production heavily influenced our revenue, profitability, access to capital and future rate of growth. Crude oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for crude oil and natural gas have been volatile, and these markets will likely continue to be volatile in the future. The prices we received for our production depended on numerous factors beyond our control. Our revenue generally increased or decreased along with any increases or decreases in crude oil or natural gas prices, but the impact on our income was indeterminable given the variety of expenses associated with producing and selling crude oil that also increase and decrease along with crude oil prices.

Those same commodity price risks heavily influence the profitability and access to capital in the companies we currently or will manage through management service agreements, thus affecting their ability to pay for the services we currently or are working to provide in the future. Thus commodity price risk continues to be a factor affecting our future profitability.

ITEM 4. CONTROLS AND PROCEDURES.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Our management, under the direction of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such terms are defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2016. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. Based on this evaluation our management, including the Company's Chief Executive Officer and Chief Financial Officer, has concluded that the Company's disclosure controls and procedures were effective as of June 30, 2016 to ensure that the information required to be disclosed in our Exchange Act reports was recorded, processed, summarized and reported on a timely basis.

There have been no changes in the Company's internal control over financial reporting during the three month period ended June 30, 2016 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Other than routine legal proceedings incident to our business, there are no material legal proceedings to which we are a party or to which any of our property is subject.

ITEM 1A. RISK FACTORS.

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit	Description
3.1	Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Form 8-K filed with the Securities and Exchange Commission by Black Ridge Oil & Gas, Inc. on December 12, 2012)
3.2	Bylaws (incorporated by reference to Exhibit 3.2 of the Form 8-K filed with the Securities and Exchange Commission by Black Ridge Oil & Gas, Inc. on December 12, 2012)
10.1	Asset Contribution Agreement dated March 29, 2016 by and between Black Ridge Oil & Gas, Inc., as Transferor, and Black Ridge Holding Company, LLC, as Transferee (incorporated by reference to Preliminary Information Statement on Schedule 14C filed with the Securities and Exchange Commission by Black Ridge Oil & Gas, Inc. on March 31, 2016)
10.2	Debt Contribution Agreement dated March 29, 2016 by and between Black Ridge Oil & Gas, Inc., Black Ridge Holding Company, LLC, Chambers Energy Capital II, LP and CEC II TE, LLC (incorporated by reference to Preliminary Information Statement on Schedule 14C filed with the Securities and Exchange Commission by Black Ridge Oil & Gas, Inc. on March 31, 2016)
10.3*	Limited Liability Company Agreement of Black Ridge Holding Company, LLC dated June 21, 2016 by and between Black Ridge Oil & Gas, Inc., Chambers Energy Capital II, LP and CEC II TE, LLC, as Members
10.4*	Management Services Agreement dated June 21, 2016 by and between Black Ridge Holding Company, LLC and Black Ridge Oil & Gas, Inc.
31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Chief Financial Officer
32.1*	Section 906 Certification of Chief Executive Officer
32.2*	Section 906 Certification of Chief Financial Officer
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document
101.LAB*	XBRL Labels Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document

*Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BLACK RIDGE OIL & GAS, INC.

Dated: August 15, 2016

By: */s/Kenneth DeCubellis*

Kenneth DeCubellis, Chief Executive Officer (Principal Executive Officer)

Dated: August 15, 2016

By: /s/James A. Moe

James A. Moe, Chief Financial Officer (Principal Financial Officer)

Exhibit 10.3

LIMITED LIABILITY COMPANY AGREEMENT

OF

BLACK RIDGE HOLDING COMPANY, LLC

a Delaware Limited Liability Company

Dated as of June 21, 2016

TABLE OF CONTENTS

LIMITED LIABILITY COMPANY AGREEMENT
OF
BLACK RIDGE HOLDING COMPANY, LLC

THIS LIMITED LIABILITY COMPANY AGREEMENT, dated as of [˜], 2016, and effective April 1, 2016 (this "**Agreement**"), of Black Ridge Holding Company, LLC, a Delaware limited liability company (the "**Company**"), is adopted, executed and agreed to, for good and valuable consideration, by and among the Members executing this Agreement on the date hereof and any other individuals who become Members after the date hereof pursuant to the terms of Section 3.2(d).

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto do hereby agree as follows:

ARTICLE I

FORMATION

Section 1.1. Formation. The Company was formed as a Delaware limited liability company on March 9, 2016 by the filing of the Certificate of Formation (the "**Certificate**") in the office of the Secretary of State of the State of Delaware under and pursuant to the Act. The Members hereby agree that during the term of the Company, the rights and obligations of the Members with respect to the Company will be determined in accordance with the terms and provisions of this Agreement and the Act (except where the Act provides that such rights and obligations specified in the Act shall apply "unless otherwise provided in a limited liability company agreement" or words of similar effect and such rights and obligations are set forth in this Agreement). Notwithstanding anything herein to the contrary, §18-210 of the Act (entitled "Contractual Appraisal Rights") shall not apply or be incorporated into this Agreement.

Section 1.2. Name. The name of the Company is "Black Ridge Holding Company, LLC." The business of the Company shall be conducted in the name of the Company. If the applicable law of a jurisdiction where the Company does business requires the Company to do business under a different name, the Board of Managers shall choose another name to do business in such jurisdiction. In such a case, the business of the Company in such jurisdiction may be conducted under such other name or names as the Board of Managers may select.

Section 1.3. Purpose. Subject to the terms of this Agreement, the purpose of the Company shall be: (a) to receive the capital contributions as set forth in this Agreement; (b) to acquire, farm-in, own, hold, maintain, renew, drill and develop Oil and Gas Properties and related assets and other properties in the United States, initially in North Dakota and Montana; (c) to acquire, produce, collect, store, treat, deliver, market, sell or otherwise dispose of Hydrocarbons and minerals; (d) to farm-out, sell, abandon and otherwise dispose of such Oil and Gas Properties, related assets and other properties; (e) to engage in exploration for Hydrocarbons and minerals through farm-outs, farm-ins, participations, joint ventures, operating agreements or other similar arrangements; and (f) to engage in all lawful activities and to enter into, exercise the rights and enjoy the benefits under, and discharge the obligations of the Company pursuant to, all contracts, agreements, and other instruments which the Board of Managers determines to be necessary or suitable for or incidental to the accomplishment and conduct of the foregoing purposes in clauses (a) through (e) above.

Section 1.4. Registered Office and Registered Agent; Principal Place of Business

(a) The registered office of the Company required by the Act to be maintained in the State of Delaware shall be the initial registered office named in the Certificate or such other office (which need not be a place of business of the Company) as the Board of Managers may designate from time to time in the manner provided by law. The registered agent of the Company in the State of Delaware shall be the initial registered agent named in the Certificate or such other Person or Persons as the Board of Managers may designate from time to time.

(b) The principal place of business of the Company shall be 10275 Wayzata Blvd., Suite 100, Minnetonka, MN 55305, or at such other location as designated from time to time by the Board of Managers.

Section 1.5. Foreign Qualification. Prior to the Company conducting business in any jurisdiction other than Delaware, the Company shall comply, to the extent procedures are reasonably available, with all requirements necessary to qualify the Company as a foreign limited liability company in such jurisdiction. At the request of the Board of Managers or an officer of the Company, each Member agrees to execute, acknowledge, swear to, and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue, and terminate the Company's status as a foreign limited liability company in all such jurisdictions in which the Company may conduct business.

Section 1.6. Term. The Company commenced on the date the Certificate was filed with the Secretary of State of Delaware and shall continue in existence until it is dissolved and terminated in accordance with the terms hereof.

Section 1.7. Transaction Costs. The Company shall promptly pay or reimburse CEC, to the extent such costs have been incurred, for all reasonable, documented, third-party, out-of-pocket costs and expenses (in each case, as determined in good faith by the Board of Managers) incurred by CEC or its Affiliates in connection with its consideration of an investment in the Company, its due diligence of the Company in relation thereto, the negotiation, preparation and execution of this Agreement and each other Transaction Document, and the consummation of the transactions hereunder and thereunder, including the reasonable and documented fees and expenses of legal counsel, environmental, financial and other third-party consultants engaged by CEC and its Affiliates in connection therewith.

ARTICLE II

DEFINITIONS AND REFERENCES

Section 2.1. Definitions. When used in this Agreement, the following terms shall have the respective meanings assigned to them in this Section 2.1 or in the sections or other subdivisions referred to below:

"**Acceptance Notice**" has the meaning assigned to such term in Section 9.5(b).

"**Act**" means the Delaware Limited Liability Company Act or any successor statute, as amended from time to time.

"**Adjusted Basis**" means, for any Units, the relative percentage of distributions that such Unitholders would receive pursuant to Article V hereof upon a hypothetical liquidation of the Company as of the date in question.

"**Adjusted Capital Account**" means, with respect to any Member, the balance, if any, in such Member's Capital Account as of the end of the relevant fiscal year or other relevant period, after giving effect to the following adjustments:

(i) add to such Capital Account any amounts which such Member is obligated to restore pursuant to this Agreement or is deemed to be obligated to restore to the Company pursuant to Treasury Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentence of each of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(ii) subtract from such Capital Account such Member's share of the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

The foregoing definition of "Adjusted Capital Account" is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"**Affiliate**" means, when used with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such Person. For the purposes of this definition and the definition of "Permitted Transferee," the terms "**controlling, controlled by, or under common control**" means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or any partnership or other ownership interest, by contract or otherwise) of a Person.

"**Aggregate Distribution Amount**" has the meaning assigned to such term in Section 5.5.

"**Agreement**" has the meaning assigned to such term in the Preamble.

"**Annual Budget**" has the meaning assigned to such term in Section 6.6(b).

"**another enterprise**" has the meaning assigned to such term in Section 8.4.

"**Approved IPO**" has the meaning assigned to such term Section 9.3(a).

"**Asset Contribution Agreement**" means that certain Asset Contribution Agreement, dated as of [˜], 2016, by and among BROG, the Company and the other parties thereto.

"**Available Cash**" means, at any date, the amount which the Board of Managers determines is available for distribution to the Members, taking into account all debts, liabilities, and obligations of the Company, and any reserves for any expenditures, working capital needs or other capital requirements (including capital expenditures) or contingencies.

"**Bank Price Deck**" means the average relevant current price assumptions contained in the most recent publication of the Macquarie Tristone Energy Lender Price Survey or, if such survey is no longer published, a similar survey acceptable to CEC.

"**Benchmark Amount**" has the meaning assigned to such term in Section 3.2(a)(ii).

"**Board of Managers**" has the meaning assigned to such term in Section 6.1.

"**BROG**" means Black Ridge Oil & Gas, Inc., a Nevada corporation.

"**Business Day**" means any day which is not a Saturday, Sunday or day on which banks are authorized by law to close in the State of Texas.

"**Call Notice**" has the meaning assigned to such term in Section 4.2(c).

"**Capital Account**" means the capital account maintained for each Member on the Company's books and records in accordance with the following provisions:

(a) To each Member's Capital Account there will be added (i) the amount of cash and the Gross Asset Value (as determined by the Board of Managers) of any asset contributed by such Member to the Company, (ii) such Member's allocable share of Profits, any items in the nature of income or gain that are specially allocated to such Member pursuant to Section 5.2(b) hereof or other provisions of this Agreement, and (iii) the amount of any Company liabilities assumed by such Member or which are secured by any property distributed to such Member.

(b) From each Member's Capital Account there will be subtracted (i) the amount of cash and the Gross Asset Value (as determined by the Board of Managers) of any Company assets distributed to such Member pursuant to any provision of this Agreement, (ii) such Member's allocable share of Losses, any items in the nature of expenses or losses that are specially allocated to such Member pursuant to Section 5.2(b), and (iii) liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company.

(c) The Simulated Basis in each separate oil and gas property (as defined in section 614 of the Code) owned by the Company shall be allocated among the Members in accordance with the manner in which depletable basis is allocated under Section 5.2(c)(ii) of this Agreement.

(d) In the event any Membership Interest is transferred in accordance with the terms of this Agreement, the transferee will succeed to the Capital Account of the transferor to the extent it relates to the transferred Membership Interest.

(e) Determination of the amount of any liability for purposes of subparagraphs (a) and (b) above will take into account Code Section 752(c) and any other applicable provisions of the Code and Treasury Regulations.

(f) The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Sections 1.704-1(b) and 1.704-2 and will be interpreted and applied in a manner consistent with such Treasury Regulations. In the event that the Board of Managers determines that it is prudent to modify the manner in which the Capital Accounts, or any additions or subtractions thereto, are computed in order to comply with such Treasury Regulations, the Board of Managers may make such modification; *provided*, that such modification is not likely to have a material effect on the amounts distributable to any Member pursuant to this Agreement.

"**Capital Contribution**" means, for any Member at the particular time in question, the aggregate of the dollar amounts of any cash contributed to the capital of the Company and the Fair Market Value of any property contributed to the capital of the Company, or, if the context in which such term is used so indicates, the dollar amounts of cash and the Fair Market Value of any property contributed at any particular time or agreed to be contributed, or requested to be contributed, by such Member to the capital of the Company. Any reference to the Capital Contributions of a Member will include the Capital Contributions made by a predecessor holder of the Membership Interest of such Member.

"**Capital Interest Percentage**" means, at any time of determination and as to any Member, the percentage of the total distributions that would be made to such Member if the assets of the Company were sold for their fair market values, all liabilities of the Company were paid in accordance with their terms, all items of Company income, gain, loss and deduction were allocated to the Members in accordance with Article V, and the resulting net proceeds were distributed to the Members in accordance with the terms of this Agreement. The foregoing definition of Capital Interest Percentage is intended to result in a percentage that corresponds with that defined as "***partner's proportionate interest in partnership capital***" in Treasury Regulations Section 1.613A-3(e)(2)(ii), and Capital Interest Percentage shall be interpreted consistently therewith.

"**CEC**" means, collectively, Chambers Energy Capital II, LP and CEC II TE, LLC and each of their respective Permitted Transferees that have been admitted as Members.

"**CEC Manager**" has the meaning assigned to such term in Section 6.2(a).

"**CEC Related Parties**" has the meaning assigned to such term in Section 6.9(a).

"**Certificate**" has the meaning assigned to such term in Section 1.1.

"**Change of Control**" means if (i) there occurs a Disposition by CEC, directly or indirectly, of all or substantially all of its outstanding Class A Units to any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities and Exchange Act of 1934) other than the current Members (or their Permitted Transferees); (ii) there occurs a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converting into voting securities of the surviving entity) at least a majority of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; (iii) any Person or Persons, other than the current Members (or their Permitted Transferees), have the right to designate a majority in number of the Managers then serving on the Board of Managers; or (iv) all or substantially all of the assets of the Company are sold to an unaffiliated third party or parties in one transaction or series of related transactions followed by the dissolution and winding up of the Company.

"**Class A Unitholder**" and "**Class A Unitholders**" have the meanings assigned to such terms in Section 3.2(a).

"**Class A Units**" has the meaning assigned to such term in Section 3.2(a)(i).

"**Class B Unitholder**" and "**Class B Unitholders**" have the meanings assigned to such terms in Section 3.2(a).

"**Class B Units**" has the meaning assigned to such term in Section 3.2(a)(i).

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time.

"**Commitment Amount**" means the aggregate amount that CEC is obligated to invest in the Company through the purchase of Class A Units in an aggregate amount not to exceed the amount set forth under the heading "Commitment Amount" opposite CEC's name on Schedule 3.1 hereto.

"**Commodity Hedging Transaction**" means any commodity hedging transaction pertaining to Hydrocarbons or minerals, whether in the form of a swap agreement, option to acquire or Dispose of a future contract, whether on an organized commodities exchange or otherwise, or similar type of financial transaction classified as "notional principal contracts" pursuant to Treasury Regulations Section 1.446-3. Any Commodity Hedging Transaction shall be identified in the books and records of the Company as a "hedging transaction" in the manner and at the times prescribed by Treasury Regulations Section 1.1221-2(f).

"**Company**" has the meaning assigned to such term in the Preamble.

"**Company Sale**" has the meaning assigned to such term in Section 9.3(a).

"**Company Sale Notice**" has the meaning assigned to such term in Section 9.3(a).

"**Company Minimum Gain**" has the meaning set forth in Treasury Regulations Sections 1.704-2(b)(2) and 1.704-2(d)(1) for the term "partnership minimum gain."

"**Confidential Information**" has the meaning assigned to such term in Section 12.12.

"**Cost Overrun Item**" means any item in an approved Annual Budget that exceeds by the lesser of ten percent or $10,000 the amount allocated to such item.

"**Debt Contribution Agreement**" means that certain Contribution Agreement, dated as of [˜], 2016, by and among BROG, the Company and CEC and the other parties thereto.

"**Depletable Property**" has the meaning assigned to such term in Section 5.2(c)(ii).

"**Depreciation**" means, for each fiscal year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction (excluding depletion) allowable for federal income tax purposes with respect to an asset for such fiscal year or other period, except that (a) with respect to any such property the Gross Asset Value of which differs from its adjusted tax basis for U.S. federal income tax purposes and which difference is being eliminated by use of the "remedial method" pursuant to Treasury Regulations Section 1.704-3(d), Depreciation for such fiscal year or other period shall be the amount of book basis recovered for such fiscal year or other period under the rules prescribed by Treasury Regulations Section 1.704-3(d)(2) and (b) with respect to any other such property the Gross Asset Value of which differs from its adjusted tax basis at the beginning of such fiscal year or other period, Depreciation will be an amount that bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such fiscal year or other period bears to such beginning adjusted tax basis. Notwithstanding the foregoing, if the federal income tax depreciation, amortization or other cost recovery deduction (excluding depletion) for such fiscal year or other period is zero, Depreciation will be determined with reference to such beginning Gross Asset Value using any method selected by the Board of Managers.

"**Dispose**" (including the correlative terms "**Disposed**" or "**Disposition**") means any sale, assignment, transfer, conveyance, gift, pledge, distribution, hypothecation or other encumbrance or any other disposition, whether voluntary, involuntary or by operation of law, whether effected directly or indirectly, which shall include the sale, assignment, transfer, conveyance, gift, pledge, hypothecation or other encumbrance or any other disposition, whether voluntary, involuntary or by operation of law of stock, limited liability company interests, partnership interest, or other equity interests in or from a Person who owns a Unit or other securities of the Company.

"**Electing Party**" has the meaning assigned to such term in Section 9.4.

"**Eligible Recipient**" has the meaning assigned to such term in Section 3.2(c).

"**Environmental Laws**" means any and all applicable laws, rules, orders, regulations, statutes, ordinances, codes, decrees or other legally enforceable requirements (including common law) of any Governmental Authority regulating, relating to or imposing liability or standards of conduct concerning pollution, protection of the environment, natural resources or of human health, or employee health and safety, as has been, is now, or may at any time hereafter be, in effect, including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 *et seq.*, the Hazardous Materials Transportation Act, 49 U.S.C. § 5101 *et seq.*, the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq.*, the Clean Water Act, 33 U.S.C. § 1251 *et seq.*, the Clean Air Act, 42 U.S.C. § 7401 *et seq.*, the Toxic Substances Control Act, 15 U.S.C. § 2601 *et seq.*, the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. § 136 *et seq.*, the Oil Pollution Act of 1990, 33 U.S.C. § 2701 *et seq.*, the Occupational Safety and Health Act, 29 U.S.C. § 651 *et seq.*, and the regulations promulgated pursuant thereto, and all analogous state or local statutes and regulations.

"**Equity Securities**" means any Units, any other equity securities of the Company and any other securities of the Company convertible or exchangeable for Units or other equity securities of the Company.

"**Excess Distribution Amount**" has the meaning assigned to such term in Section 5.5.

"**Fair Market Value**" means, with respect to any property or asset, the fair market value of such property or asset as determined in good faith by the Board of Managers.

"**GAAP**" means generally accepted accounting principles and practices, consistently applied, which are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor).

"**Governmental Authority**" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any province, commonwealth, territory, possession, county, parish, town, township, village or municipality, whether now existing or hereafter constituted or existing.

"**Grant Letter**" has the meaning assigned to such term in Section 3.2(c).

"**Gross Asset Value**" means, with respect to any asset, the asset's adjusted tax basis for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of any asset contributed by a Member to the Company is the gross Fair Market Value of such asset, as determined in good faith by the Board of Managers.

(b) The Gross Asset Value of all Company assets shall be adjusted to equal their respective gross Fair Market Values, as determined in good faith by the Board of Managers using such method of valuation as it may adopt, as of the following times:

(i) the acquisition of an additional Membership Interest in the Company by a new or existing Member in exchange for more than a de minimis Capital Contribution (other than Capital Contributions made by the Members pursuant to Section 4.1) if the Board of Managers determines that such adjustment is necessary or appropriate to reflect the relative Membership Interests of the Members in the Company;

(ii) the distribution by the Company to a Member of more than a de minimis amount of Company assets as consideration for Membership Interests in the Company, if the Board of Managers determines that such adjustment is necessary or appropriate to reflect the relative Membership Interests of the Members in the Company;

(iii) the liquidation or dissolution of the Company within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g);

(iv) the grant of a Membership Interest in the Company (other than a de minimis interest) as consideration for the provision of services to or for the benefit of the Company by an existing Member acting in his capacity as a Member, or by a new Member acting in his capacity as a Member or in anticipation of becoming a Member of the Company, if the Board of Managers determines that such adjustment is necessary or appropriate to reflect the relative Membership Interests of the Members in the Company;

(v) the acquisition of an interest in the Company by any new or existing Member upon the exercise of a noncompensatory option or warrant in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(s), if the Board of Managers determines that such adjustment is necessary or appropriate to reflect the relative Membership Interests of the Members in the Company; or

(vi) at such other times as the Board of Managers determines is necessary or appropriate to comply with Treasury Regulations Section 1.704-1(b) and 1.704-2.

If any noncompensatory options or warrants are outstanding upon the occurrence of an event described in this paragraph (b)(i) through (b)(vi), the Company shall adjust the Gross Asset Values of its properties in accordance with Treasury Regulations Sections 1.704-1(b)(2)(iv)(f)(1) and 1.704-1(b)(2)(iv)(h)(2).

(c) The Gross Asset Value of any Company asset distributed to a Member is the gross Fair Market Value of such asset (taking section 7701(g) of the Code into account) on the date of distribution as determined by the Board of Managers using such method of valuation as it may adopt.

(d) The Gross Asset Values of Company assets will be increased (or decreased) to reflect any adjustments to the adjusted tax basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m), except that Gross Asset Values will not be adjusted pursuant to this subparagraph (d) to the extent that an adjustment pursuant to subparagraph (b) above is made in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (d).

(e) To the extent the Gross Asset Value of a Company asset has been determined or adjusted pursuant to clause (a), (b) or (d) of this definition, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses and other items of income, gain, loss and deduction allocated to the Members pursuant to Article V and by Simulated Depletion.

"**Guarantee Obligation**" means, as to any Person (the "**guaranteeing person**"), any obligation of (a) the guaranteeing person or (b) another Person (including any bank under any letter of credit), if to induce the creation of such obligation of such other Person the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "**primary obligations**") of any other third Person (the "**primary obligor**") in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services, in each case, primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; *provided, however*, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business.

"**Hedged Prices and Volumes**" means prices and volumes of Hydrocarbons in barrels of oil or MMBtu of gas supported by confirmations from any Qualified Counterparty to any Commodity Hedging Transaction.

"**Hydrocarbon Interests**" means all presently existing or after-acquired rights, titles and interests in and to oil and gas leases, oil, gas and mineral leases, other Hydrocarbon leases, mineral interests, mineral servitudes, overriding royalty interests, royalty interests, net profits interests, production payment interests and other similar interests.

"**Hydrocarbons**" means, collectively, oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate and all other liquid or gaseous hydrocarbons and related minerals and all products therefrom, in each case whether in a natural or a processed state.

"**IDCs**" has the meaning assigned to the term "intangible drilling and development costs" in Section 263(c) of the Code.

"**Indebtedness**" means, with respect to any Person at any date, without duplication, all (a) indebtedness of such Person for borrowed money; (b) obligations of such Person for the deferred purchase price of property or services (other than trade payables incurred in the ordinary course of such Person's business); (c) obligations of such Person evidenced by notes, bonds, debentures or other similar instruments; (d) indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (e) capital lease obligations of such Person; (f) obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities; (g) obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any capital stock of such Person; (h) Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above; (i) obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation and (j) obligations (netted, to the extent provided for therein) of such Person in respect of any Commodity Hedging Transaction or any financial hedge.

"**Indemnitee**" has the meaning assigned to such term in Section 8.15.

"**Initial CEC Investment**" has the meaning assigned to such term in Section 4.2(b).

"**Initial Class B Unit**" has the meaning assigned to such term in Section 3.2(a)(ii).

"**Initial Notice**" has the meaning assigned to such term in Section 9.4.

"**Intended Distribution Amount**" has the meaning assigned to such term in Section 5.5.

"**Interest Rate**" means a rate per annum equal to the lesser of (a) varying rate per annum that is equal to the interest rate publicly quoted by JPMorgan Chase Bank (or its successor) from time to time as its prime commercial or similar reference interest rate, with adjustments in that varying rate to be made on the same date as any change in that rate, compounded annually, and (b) the maximum rate permitted by applicable law.

"**Investment Period**" means the period beginning on the date hereof and ending on the earliest of (i) the third (3rd) anniversary of the date hereof, unless the Board of Managers, in accordance with Section 6.6, extends this period; (ii) the date on which CEC has made aggregate cash Capital Contributions to the Company equal to its Commitment Amount; (iii) the consummation of a Qualified IPO; (iv) the occurrence of an event described in clause (i) or (iv) of the definition of "Change of Control"; or (v) the consummation of a Company Sale in accordance with Section 9.3.

"**Lien**" means any of the following: mortgage; lien (statutory or other); other security agreement, arrangement or interest; hypothecation, pledge or other deposit arrangement; assignment; charge; levy; executory seizure; attachment; garnishment; encumbrance (including any easement, exception, reservation or limitation, right of way, and the like); conditional sale, title retention, voting agreement or other similar agreement, arrangement, device or restriction; preemptive or similar right; the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction; or any restriction on Disposition; *provided, however*, that the term "Lien" shall not include any of the foregoing to the extent created by this Agreement.

"**Liquidation Event**" has the meaning assigned to such term in Section 10.1.

"**Management Manager**" has the meaning assigned to such term in Section 6.2(a).

"**Management Services Agreement**" means that certain Management Services Agreement, dated as of [˜], 2016, by and among BROG and the Company.

"**Manager**" and "**Managers**" have the meanings assigned to such terms in Section 6.1.

"**Material Adverse Effect**" means a material adverse effect on any of (a) the business, results of operation, assets, liabilities, or condition (financial or otherwise) of the Company and its subsidiaries taken as a whole, or (b) the value of the property of the Company (except when such value is affected by then-current market conditions in the oil and gas industry, other than financial and capital markets conditions).

"**Member**" means any Person executing this Agreement as of the date hereof as a member or hereafter admitted to the Company as a member as provided in this Agreement, but such term does not include any Person who has ceased to be a Member.

"**Member Minimum Gain**" means an amount, with respect to each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Treasury Regulations Section 1.704-2(i).

"**Member Nonrecourse Debt**" has the meaning set forth in Treasury Regulations Section 1.704-2(b)(4) for the term "partner nonrecourse debt."

"**Member Nonrecourse Deductions**" has the meaning set forth in Treasury Regulations Section 1.704-2(i) for the term "partner nonrecourse deductions."

"**Membership Interest**" means the interest of a Member in the Company, including the right of such Member to receive distributions (liquidating or otherwise), to be allocated income, gain, loss, deduction, credit, or similar items, to receive information, and to grant consents or approvals; *provided, however*, that such term shall not include any management rights held by a Member solely in its capacity as a Member.

"**Monetization Event**" means a Change of Control, a Liquidation Event, a public offering, or any other similar transaction determined by the Board of Managers to constitute a Monetization Event.

"**Nonrecourse Deductions**" has the meaning set forth in Treasury Regulations Sections 1.704-2(b)(1) and 1.704-2(c).

"**Nonrecourse Liability**" has the meaning set forth in Treasury Regulations Sections 1.704-2(b)(3) and 1.752-1(a)(2).

"**Oil and Gas Properties"** means (i) Hydrocarbon Interests; (ii) the properties now or hereafter pooled or unitized with Hydrocarbon Interests; (iii) all presently existing or future unitization, pooling agreements and declarations of pooled units and the units created thereby (including all units created under orders, regulations and rules of any Governmental Authority having jurisdiction) which may affect all or any portion of the Hydrocarbon Interests; (iv) all operating agreements, contracts and other agreements which relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange or processing of Hydrocarbons from or attributable to such Hydrocarbon Interests; (v) all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests, the lands covered thereby and all oil in tanks and all rents, issues, profits, proceeds, products, revenues and other incomes from or attributable to the Hydrocarbon Interests; and (vi) all tenements, hereditaments, appurtenances and properties in anywise appertaining, belonging, affixed or incidental to the Hydrocarbon Interests, properties, rights, titles, interests and estates described or referred to above, including any and all property, real or personal, now owned or hereafter acquired and situated upon, used, held for use or useful in connection with the operating, working or development of any of such Hydrocarbon Interests or Property (excluding drilling rigs, automotive equipment or other personal property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, buildings, structures, fuel separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements and servitudes together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing.

"**Other Investments**" has the meaning assigned to such term in Section 6.9(a)(i).

"**Participating Unitholder**" has the meaning assigned to such term in Section 9.5(c).

"**Participation Member**" has the meaning assigned to such term in Section 9.5(a).

"**Participation Notice**" has the meaning assigned to such term in Section 9.5(b).

"**Participation Offer**" has the meaning assigned to such term in Section 9.5(a).

"**Participation Sale**" has the meaning assigned to such term in Section 9.5(b).

"**Person**" has the meaning set forth in Section 18-101(12) of the Act.

"**Permitted Transfer**" means a Disposition by CEC or any of its Permitted Transferees of any or all of its Units, Membership Interests, related management rights, and rights to be a Member hereunder to one or more Permitted Transferees in which such transferee agrees in writing to be bound by the terms and provisions of this Agreement; *provided, however*, that any such Disposition shall be void ab initio if on any date thereafter such transferee ceases to be a "Permitted Transferee" and such Disposition would not otherwise be permitted under this Agreement.

"**Permitted Transferee**" means (i) as to CEC, any Affiliate of CEC and (ii) as to BROG, with respect to Class B Units, any executive or management team member of BROG, and (iii) as to any Class B Unitholder that is a natural person, any trust, corporation, partnership or limited liability company, the sole beneficiaries, stockholders, partners or members of which are the applicable Class B Unitholder, the spouse of such Class B Unitholder, or any parent, grandparent, sibling or any lineal descendant of such Class B Unitholder (whether by blood, marriage or legal adoption); *provided* that, any transferee described under clause (iii) of shall only be a Permitted Transferee if such transfer by the Class B Unitholder is made solely for estate planning purposes.

"**Pre-IPO Value**" means the product of (a) the quotient obtained by dividing (i) the estimated net proceeds to the issuer in the Qualified IPO (in each case, less the reasonably estimated expenses of the Qualified IPO to the issuer) by (ii) a fraction (expressed as a percentage), the numerator of which is the number of securities to be sold to the public in the Qualified IPO and the denominator of which is the total number of securities of the same class or series as the securities to be sold to the public that will be outstanding immediately after the Qualified IPO and (b) the difference between 100% and the percentage described in clause (a)(ii) of this definition.

"**Profits and Losses**" means, for each fiscal year or other period, an amount equal to the Company's taxable income or loss for such year or period determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, deduction or credit required to be stated separately pursuant to Code Section 703(a)(1) will be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition of Profits and Losses will increase the amount of such income and/or decrease the amount of such loss;

(b) Any expenditure of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this definition of Profits and Losses, will decrease the amount of such income and/or increase the amount of such loss;

(c) Gain (including Simulated Gain) or loss resulting from any disposition of Company assets where such gain or loss is recognized for federal income tax purposes will be computed by reference to the Gross Asset Value of the Company assets disposed of, notwithstanding that the adjusted tax basis of such Company assets differs from its Gross Asset Value;

(d) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such income or loss, Depreciation or Simulated Depletion will be taken into account for such fiscal year or other period;

(e) To the extent an adjustment to the adjusted tax basis of any asset included in Company assets pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Membership Interest, the amount of such adjustment will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and will be taken into account for the purposes of computing Profits and Losses;

(f) If the Gross Asset Value of any Company asset is adjusted in accordance with subparagraph (b) or subparagraph (c) of the definition of "Gross Asset Value" above, the amount of such adjustment will be taken into account in the fiscal year of such adjustment as gain or loss from the disposition of such asset for purposes of computing Profits or Losses; and

(g) Notwithstanding any other provision of this definition of Profits and Losses, any items that are specially allocated pursuant to Section 5.2(b) hereof will not be taken into account in computing Profits or Losses. The amounts of the items of Company income, gain, loss or deduction available to be specially allocated pursuant to Section 5.2(b) hereof will be determined by applying rules analogous to those set forth in this definition of Profits and Losses.

"**Proved Reserves**" means those Oil and Gas Properties designated as proved (in accordance with SEC rules and regulations) in the reserve report most recently delivered to CEC pursuant to this Agreement.

"**PV 10 Value**" means, with respect to any Proved Reserves, the aggregate net present value of such Oil and Gas Properties calculated before income taxes, but after reduction for royalties, lease operating expenses, severance and ad valorem taxes, capital expenditures and abandonment costs; with no escalation of capital expenditures or abandonment costs; discounted at 10%; using assumptions regarding future prices of Hydrocarbon sales based on Hedged Prices and Volumes and the Bank Price Deck on all unhedged volumes, adjusted for historical price differentials and Btu and quality adjustments; and with escalation of assumed lease operating expenses using the factor contained in the most recent publication of the Macquarie Tristone Energy Lender Price Survey. The PV 10 Value shall be calculated and included as part of each reserve report, and such PV 10 Value shall remain in effect until the delivery of the next reserve report to be delivered.

"**Qualified Counterparty**" means, with respect to any Qualified Hedging Agreement, any counterparty thereto that is acceptable to the Board of Managers as evidenced by its written consent.

"**Qualified Hedging Agreement**" means any Commodity Hedging Transaction entered into by the Company or its subsidiaries and any Qualified Counterparty.

"**Qualified IPO**" means the offering of equity securities of the Company or any subsidiary of the Company in an underwritten firm commitment public offering registered under the Securities Act that results in aggregate net proceeds to the Company or such Affiliate and the Unitholders of not less than $100,000,000 and resulting in a class of the Company's or such Affiliate's equity being listed on the New York Stock Exchange or quoted on the NASDAQ Global Select Market, the NASDAQ Global Market, the London Stock Exchange, the AIM London Stock Exchange, the Toronto Stock Exchange, the TSX Venture Exchange or any other major stock exchange.

"**Regulatory Allocations**" has the meaning assigned to such term in Section 5.2(b)(viii).

"**Related Party**" has the meaning assigned to such term in Section 6.6(a)(xvii).

"**Representative**" has the meaning assigned to such term in Section 12.12.

"Residual Value" means, at any time, the aggregate amount that the Class A Unitholders and the Class B Unitholders would receive if all assets of the Company as of such time were sold for their Fair Market Value, all liabilities of the Company were satisfied in cash in accordance with their terms (taking into account the non-recourse nature of any liability), and all remaining cash was distributed to the Members under Section 5.1.

"**Responsible Officer**" has the meaning set forth in Section 7.1(b)(iii).

"**Safe Harbor**" means the election described in the Safe Harbor Regulation, pursuant to which a partnership and all of its partners may elect to treat the fair market value of a partnership interest that is transferred in connection with the performance of services as being equal to the liquidation value of that interest.

"**Safe Harbor Election**" means the election by a partnership and its partners to apply the Safe Harbor, as described in the Safe Harbor Regulation and I.R.S. Notice 2005-43, 2005- 1 C.B. 1221, issued on May 20, 2005.

"**Safe Harbor Regulation**" means Proposed Treasury Regulations Section 1.83-3(l), issued on May 20, 2005.

"**SEC**" means the Securities and Exchange Commission (or successor thereto or an analogous Governmental Authority).

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Sharing Percentage**" means, with respect to any Class A Unitholder, a fraction, expressed as percentage, the numerator of which equals the total number of Class A Units held by such Class A Unitholder, and the denominator of which equals the total number of Class A Units held by all Class A Unitholders.

"**Simulated Basis**" means the Gross Asset Value of any separate oil and gas property (as defined in Section 614 of the Code).

"**Simulated Depletion**" means, with respect to each separate oil and gas property (as defined in Section 614 of the Code), a depletion allowance computed in accordance with federal income tax principles and in the manner specified in Treasury Regulations Section 1.704-1(b)(2)(iv)(k)(2). For purposes of computing Simulated Depletion with respect to any property, the Simulated Basis of such property shall be deemed to be the Gross Asset Value of such property, and in no event shall such allowance, in the aggregate, exceed such Simulated Basis.

"**Simulated Gain**" means with respect to each separate oil and gas property (as defined in Section 614 of the Code), the simulated gain as computed in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(k)(2) (i.e., the excess of the amount realized from the sale or other disposition of a separate oil and gas property over the Gross Asset Value of such property). If the Gross Asset Value of any property the sale of which would result in Simulated Gain is increased as provided in this Agreement, the amount of such adjustment shall be taken into account as gain from the disposition of such property for purposes of computing Simulated Gain.

"**Simulated Loss**" means with respect to each separate oil and gas property (as defined in Section 614 of the Code), the simulated loss as computed in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(k)(2) (i.e., the excess of the Gross Asset Value of a separate oil and gas property over the amount realized from the sale or other disposition of such property). If the Gross Asset Value of any property the sale of which would result in Simulated Loss is decreased as provided in this Agreement, the amount of such adjustment shall be taken into account as loss from the disposition of such property for purposes of computing Simulated Loss.

"**Subject Distribution**" has the meaning assigned to such term in Section 5.5.

"**Subsequent CEC Investment**" has the meaning assigned to such term in Section 4.2(c).

"**Subsequent Notice**" has the meaning assigned to such term in Section 9.4.

"**Subsequent Purchase**" has the meaning assigned to such term in Section 9.4.

"**tax matters partner**" has the meaning assigned to such term in Section 7.6.

"**Transaction Document**" means this Agreement, the Debt Contribution Agreement, the Asset Contribution Agreement, the Management Services Agreement, each Grant Letter and any Exhibit, Annex or Schedule to any of the foregoing.

"**Transferring Unitholder**" has the meaning assigned to such term in Section 9.5(a).

"**Treasury Regulations**" (or any abbreviation thereof used herein) means temporary or final regulations promulgated under the Code.

"**Unitholder**" and "**Unitholders**" have the meanings assigned to such terms in Section 3.2(a).

"**Units**" has the meaning assigned to such term in Section 3.2(a).

Section 2.2. References and Construction.

(a) All references in this Agreement to articles, sections, subsections and other subdivisions refer to corresponding articles, sections, subsections and other subdivisions of this Agreement unless expressly provided otherwise.

(b) Titles appearing at the beginning of any of such subdivisions are for convenience only and shall not constitute part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions.

(c) The words "this Agreement," "this instrument," "herein," "hereof," "hereby," "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited.

(d) Words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires.

(e) Examples shall not be construed to limit, expressly or by implication, the matter they illustrate.

(f) The word "or" is not exclusive and the word "includes" and its derivatives shall mean "includes, but is not limited to" and corresponding derivative expressions.

(g) No consideration shall be given to the fact or presumption that one party had a greater or lesser hand in drafting this Agreement.

(h) All references herein to "$" or "dollars" shall refer to U.S. Dollars.

(i) Unless the context otherwise requires or unless otherwise provided herein, the terms defined in this Agreement which refer to a particular agreement, instrument or document shall also refer to and include all renewals, extensions, modifications, amendments or restatements of such agreement, instrument or document, *provided* that nothing contained in this subsection shall be construed to authorize such renewal, extension, modification, amendment or restatement.

(j) Exhibits 3.1, 3.8, 5.1 and 6.2(a) to this Agreement are attached hereto. Each such Exhibit is incorporated herein by reference and made a part hereof for all purposes and references to this Agreement shall include such Exhibit unless the context shall otherwise require.

ARTICLE III

MEMBERS AND UNITS

Section 3.1. **Members.** The names and addresses of the Members of the Company are set forth in Exhibit 3.1.

Section 3.2. **Units**.

(a) The Company shall have two classes of Membership Interests as follows:

(i) a class consisting of 64,545,608.76 authorized Class A Membership Interests, which shall be referred to herein as "**Class A Units**";

(ii) a class consisting of 1,000,000 authorized Class B Membership Interests which shall be referred to herein as "**Class B Units**." Each Class B Unit issued shall have an amount (a "Benchmark Amount") attributed to it by the Board of Managers, which Benchmark Amount shall be reflected on Exhibit 3.1. The Benchmark Amount with respect to each of the Class B Units issued on the date hereof (each, an "Initial Class B Unit") shall be $0.00. The Benchmark Amount for any other Class B Unit shall be equal to the per-Unit amount that would be distributed in respect of an Initial Class B Unit if the Residual Value was distributed to the Members under Section 5.1 immediately prior to the issuance of such Class B Units for which the Benchmark Amount is being determined.

Class A Units and Class B Units are herein sometimes called the "**Units**." Any Units purchased or redeemed by the Company shall become authorized but unissued Units.

Each class of Membership Interests of the Company shall have the rights and privileges accorded such class as are set forth in this Agreement. Members that own Class A Units are herein sometimes called a "**Class A Unitholder**" or collectively the "**Class A Unitholders**." Members that own Class B Units are herein sometimes called a "**Class B Unitholder**" or collectively the "**Class B Unitholders**." The Class A Unitholders and Class B Unitholders are referred to herein each as a "**Unitholder**," and collectively as "**Unitholders**." Any reference herein to a Unitholder holding a particular class of Units shall be deemed to refer to such holder only to the extent of his ownership of such class of Units.

(b) The Company is authorized to issue to the Members up to the aggregate number of Class A Units authorized pursuant to Section 3.2(a) at $1.00 per Class A Unit pursuant to the terms and conditions of this Agreement.

(c) Subject to the approvals required in Section 6.6, the Company is authorized to issue Class B Units from time to time only to Eligible Recipients pursuant to the terms and conditions of this Agreement. The Class B Units shall be subject to the terms and conditions set forth in the applicable Grant Letter, including any vesting conditions set forth therein. As used herein, an "**Eligible Recipient**" shall mean (i) a holder of the Initial Class B Units and (ii) any officer, Manager, employee or consultant to the Company or any of its subsidiaries hereafter approved by the Board of Managers. The number of Class B Units to be issued to an Eligible Recipient and the identity of such Eligible Recipient shall be subject to approval by the Board of Managers. Each issuance by the Company of Class B Units to an Eligible Recipient shall be evidenced (A) by the execution and delivery of a "**Grant Letter**" (as herein called) by and between the Company and such Eligible Recipient substantially in the form approved by the Board of Managers and (B) by the execution and delivery of a counterpart to this Agreement by such Eligible Recipient.

(i) The Class B Units are issued in consideration of services rendered and to be rendered by the holders for the benefit of the Company. The Class B Units issued on the date hereof and any Class B Units issued thereafter are intended to constitute "profits interests" as that term is used in Revenue Procedure 93-27, 1993-2 C.B. 343, and Revenue Procedure 2001-43, 2001-2 C.B. 191, and the provisions in this Agreement shall be interpreted consistently with such intent. The Class B Units issued on the date hereof will have a Benchmark Amount of zero. The Company and the holders of Class B Units shall file all U.S. federal income tax returns consistent with such characterization. Subject to the last sentence of this Section 3.2(c)(i), the Members agree that, in the event the Safe Harbor Regulation is finalized, the Company will be authorized and directed to make the Safe Harbor Election and the Company and each Member (including any Person to whom an interest in the Company is transferred in connection with the performance of services) agrees to comply with all requirements of the Safe Harbor with respect to all interests in the Company transferred in connection with the performance of services while the Safe Harbor Election remains effective. Subject to the last sentence of this Section 3.2(c)(i), the Board of Managers shall be authorized to (and will) prepare, execute, and file the Safe Harbor Election. The Company and the Board of Managers shall not be authorized to make the Safe Harbor Election if making such election is reasonably expected to decrease the amount that would otherwise be distributed with respect to the Class A Units under this Agreement if such Safe Harbor Election were not made or to otherwise have an adverse effect on holders of the Class A Units.

(ii) Within thirty (30) days following the receipt of any Class B Unit, each recipient of such Class B Unit shall file with the Internal Revenue Service an election authorized by Section 83(b) of the Code with respect to such Class B Unit, as applicable, and will deliver to the Company a copy of such election promptly after its filing.

(d) Other than issuances of Class A Units pursuant to Article IV and issuances of Class B Units in accordance with Section 3.2(c), the Company shall be permitted to issue Class A Units, Class B Units or any other Equity Securities with the approval of the Board of Managers pursuant to Section 6.6(a), including effecting any amendment to this Agreement to give effect thereto.

(e) Exhibit 3.1 sets forth the number of Class A Units and Class B Units owned by each Member. With the approval of the Board of Managers, the officers of the Company shall amend Exhibit 3.1 to reflect any changes thereto resulting from any issuances of Units, transfers, or admissions effected in accordance with this Agreement.

Section 3.3. Voting.

(a) In order that the Company may determine the Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof and the allocation of votes or rights held by Members, the Board of Managers may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Managers, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting.

(b) The Members, as members of the Company, shall have the right to vote on only those matters as to which this Agreement expressly confers on the Members as members the right to vote and then only to the extent expressly set forth in this Agreement. To the extent that the vote of Members may be required hereunder and except as otherwise provided herein, the Class A Unitholders shall have one vote for each such Class A Unit held and at the time of the record date established for the vote, or if no record date is established, at the time of the vote. Except as otherwise provided herein, the affirmative act of the Members shall require the vote of Units representing a majority of the aggregate votes entitled to be cast by all Class A Unitholders. Except as expressly provided hereunder or required by law, (i) no matter requiring a vote shall require the vote of any particular class of Unitholders and (ii) Class B Unitholders shall not have any voting rights. To the extent a vote of the Class B Unitholders is provided hereunder or required by law, the Class B Unitholders shall have one vote for each Class B Unit held. All Members have the right to vote by proxy.

Section 3.4. Additional Members. Additional Persons may be admitted to the Company as Members as provided more specifically herein.

Section 3.5. Liability to Third Parties. No Member or any officer, director, manager, or partner of such Member, solely by reason of being a Member, shall be liable for the debts, obligations or liabilities of the Company, including under a judgment, decree or order of a court.

Section 3.6. Withdrawal. No Member shall have the unilateral right to withdraw, resign or retire from the Company as a Member without the approval of the Board of Managers.

Section 3.7. Members Have No Agency Authority . Except as expressly provided in this Agreement, no Member (in its capacity as a member of the Company) shall have any agency authority on behalf of the Company.

Section 3.8. Spouses of Members. The spouse of any Member that is a natural person shall not become a Member as a result of such marital relationship. Each spouse of a Member that is a natural person shall be required to execute a Spousal Agreement in substantially the form of Exhibit 3.8, or such other form as is approved by the Board of Managers, to evidence his or her agreement and consent to be bound by the terms and conditions of this Agreement and each other Transaction Document that has been or will be executed by such Member or is otherwise binding upon such Member, including any Grant Letter, as to such spouse's interest, whether as community property or otherwise, if any, in the Membership Interests owned by such Member.

ARTICLE IV

CAPITALIZATION

Section 4.1. **Capital Contributions of CEC and BROG.** As of the date hereof, pursuant to the Debt Contribution Agreement and the Asset Contribution Agreement, CEC and BROG, respectively, have made actual or deemed Capital Contributions of cash or other property to the Company in exchange for the issuance by the Company of the number of Class A Units set forth opposite each such Member's name on Exhibit 3.1 under the heading "Initial Class A Units."

Section 4.2. **Commitment Amounts; Further Capital Contributions.**

(a) Subject to the terms hereof, CEC agrees to make Capital Contributions to the Company after the date hereof and during the Investment Period at the times and in the manner provided for in this Section 4.2; *provided*, *however*, that in no event shall CEC be required to make aggregate Capital Contributions in excess of CEC's Commitment Amount.

(b) As of the date hereof, without the need for further approval of the Board of Managers or the Company's compliance with the procedures set forth in Section 4.2(c), the Company has called for additional Capital Contributions from CEC in the aggregate amount of $10,000,000 in exchange for the issuance by the Company of the Class A Units set forth opposite CEC's name on Exhibit 3.1 under the heading "Initial Capital Call Class A Units" (the " **Initial CEC Investment**"). Such additional Capital Contributions shall be funded on or prior to the date hereof. For the avoidance of doubt, the additional Capital Contributions made by CEC pursuant to this Section 4.2(b) shall reduce the Commitment Amount of CEC set forth on Exhibit 3.1.

(c) Subject to Section 6.6, from time to time following the date hereof and prior to the expiration of the Investment Period, the Company, with the approval of the Board of Managers, may call for additional Capital Contributions from CEC by providing written notice (a "**Call Notice**") to CEC, which Call Notice shall include (i) the aggregate amount of additional Capital Contributions to be made, and (ii) the date by which such additional Capital Contributions must be made, which date shall not be less than fifteen (15) Business Days following the date of the Call Notice. CEC shall, within fifteen (15) Business Days following the date of the Call Notice, make an additional Capital Contribution to the Company in the amount equal to the amount of additional Capital Contributions specified in the Call Notice (each, a "**Subsequent CEC Investment**"). Except as otherwise set forth in this Section 4.2, no Member shall have any right or obligation to make any additional Capital Contributions to the Company.

(d) In exchange for CEC funding an additional Capital Contribution in accordance with this Section 4.2, the Company shall issue to CEC Class A Units at a per Unit purchase price equal to $1.00.

Section 4.3. Capital Accounts. A capital account shall be established and maintained for each Member in accordance with the definition of Capital Account herein.

Section 4.4. Interest on and Return of Capital Contributions.

(a) Except as provided herein, no interest shall be paid by the Company in respect of any Member's Capital Contributions or Capital Account. However, all interest that accrues on Company funds shall be allocated and credited to the Members in accordance with Article V.

(b) Except as otherwise provided herein, no Member shall have the right to withdraw or to receive a return of its Capital Contribution.

ARTICLE V

ALLOCATIONS AND DISTRIBUTIONS

Section 5.1. Distributions.

(a) The Company may make distributions of Available Cash or other properties to the Unitholders from time to time, subject to the provisions of Section 5.1(c), as determined by the Board of Managers in accordance with the terms hereof. All distributions shall be made to the Unitholders in accordance with Exhibit 5.1.

(b) The Company shall make distributions of Available Cash as provided in paragraph 1.02 of Exhibit 5.1.

(c) The amount of any non-cash distributable property to be distributed in accordance with this Section 5.1 shall be its Fair Market Value.

(d) Unless otherwise instructed in writing by a Member, payment of all cash distributions to the Members under this Agreement shall be made by wire transfer of immediately available funds in accordance with such written instructions to the Managers as may be provided by such Members from time to time.

(e) The provisions of this Section 5.1 are subject to the provisions of Section 5.4.

Section 5.2. Allocations.

(a) Profits and Losses.

(i) Profits and Losses will be determined and allocated with respect to each fiscal year of the Company as of the end of such fiscal year, at such times as the Company assets are revalued in accordance with the definition of Gross Asset Value and at such other times as determined appropriate by the Board of Managers. Subject to the other provisions of this Article V, an allocation to a Member of a share of Profits or Losses will be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Profits or Losses.

(ii) Subject to the other provisions of this Article V, for purposes of maintaining the Capital Accounts of the Members, the Profits and Losses for each fiscal year or other period will be allocated among the Members in a manner such that the Adjusted Capital Account of each Member, immediately after making such allocation is, as nearly as possible, equal (proportionately) to the amount of distributions that would be made to such Member pursuant to Section 5.1 and paragraph 1.01 of Exhibit 5.1 (taking into account Section 5.4) if the Company were dissolved, its affairs wound up and its assets sold for cash equal to their Gross Asset Value, all Company liabilities were satisfied (limited with respect to each nonrecourse liability to the Gross Asset Value of the asset securing such liability), any liability of a Member to the Company is satisfied in full and the net assets of the Company were distributed in accordance with Section 5.1(a) and paragraph 1.01 of Exhibit 5.1 (taking into account Section 5.4).

(b) Special Allocations. Notwithstanding the foregoing provisions of Section 5.2(a)(ii), the following special allocations will be made in the following order of priority:

(i) Minimum Gain Chargeback. If there is a net decrease in Company Minimum Gain during a Company fiscal year or other period, then each Member will be allocated items of Company income and gain for such fiscal year or other period (and, if necessary, for subsequent years or periods) in an amount equal to such Member's share of the net decrease in Company Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g)(2). This Section 5.2(b)(i) is intended to comply with the minimum gain chargeback requirement of Treasury Regulations Section 1.704-2(f) and will be interpreted consistently therewith.

(ii) Member Minimum Gain Chargeback. If there is a net decrease in Member Minimum Gain attributable to a Member Nonrecourse Debt during any Company fiscal year or other period, each Member who has a share of the Member Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Treasury Regulations Section 1.704-2(i)(5), will be specially allocated items of Company income and gain for such fiscal year or other period (and, if necessary, subsequent years or periods) in an amount equal to such Member's share of the net decrease in Member Minimum Gain attributable to such Member Nonrecourse Debt, determined in a manner consistent with the provisions of Treasury Regulations Section 1.704-2(i)(4) and 1.704-2(j)(2). This Section 5.2(b)(ii) is intended to comply with the partner nonrecourse debt minimum gain chargeback requirement of Treasury Regulations Section 1.704-2(i)(4) and will be interpreted consistently therewith.

(iii) Qualified Income Offset. If any Member unexpectedly receives an adjustment, allocation, or distribution of the type contemplated by Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of income and gain will be allocated to all such Members (in proportion to the amounts of their respective deficit Adjusted Capital Accounts) in an amount and manner sufficient to eliminate the deficit balance in the Adjusted Capital Account of such Member as quickly as possible, *provided* that an allocation pursuant to this Section 5.2(b)(iii) shall be made if and only to the extent that such Member would have an Adjusted Capital Account deficit after all other allocations provided for in this Article V have been tentatively made as if this Section 5.2(b)(iii) were not in this Agreement. It is intended that this Section 5.2(b)(iii) qualify and be construed as a "qualified income offset" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(d).

(iv) Limitation on Allocation of Net Loss. If the allocation of Losses to a Member as provided in Section 5.2(a) hereof would create or increase an Adjusted Capital Account deficit, there will be allocated to such Member only that amount of Losses as will not create or increase an Adjusted Capital Account deficit. The Losses that would, absent the application of the preceding sentence, otherwise be allocated to such Member will be allocated to the other Members in accordance with their relative Sharing Percentages subject to the limitations of this Section 5.2(b)(iv).

(v) Certain Additional Adjustments. To the extent that an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of its Membership Interest, the amount of such adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss will be specially allocated to the Members in accordance with their Membership Interests in the Company in the event that Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Members to whom such distribution was made in the event that Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(vi) Nonrecourse Deductions. The Nonrecourse Deductions for each taxable year of the Company will be allocated to the Members in accordance with their Sharing Percentages.

(vii) Member Nonrecourse Deductions. The Member Nonrecourse Deductions will be allocated each fiscal year or other period to the Member that bears the economic risk of loss (within the meaning of Treasury Regulations Section 1.752-2) for the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable.

(viii) Regulatory Allocations. The allocations set forth in Sections 5.2(b)(i) through (vii) hereof (the "**Regulatory Allocations**") are intended to comply with certain requirements of Treasury Regulations Sections 1.704-1(b) and 1.704-2(i) and shall be interpreted consistently therewith. Notwithstanding the provisions of Section 5.2(a), the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Members so that, to the extent possible, the net amount of such allocations of other items and the Regulatory Allocations to each Member shall be equal to the net amount that would have been allocated to each such Member if the Regulatory Allocations had not occurred.

(ix) Simulated Items & IDCs. Simulated Depletion, Simulated Loss, and IDCs with respect to each oil and gas property (as defined in Section 614 of the Code) shall be allocated among the Members in proportion to the manner in which the Simulated Basis of such property is allocated among the Members in accordance with clause (c) of the definition of Capital Account.

(x) Forfeiture Allocations. If any holder of Class B Units forfeits all or a portion of such holder's Class B Units, the Company shall make forfeiture allocations in respect of such Class B Units in the manner and to the extent required by Proposed Treasury Regulation Section 1.704-1(b)(4)(xii) (as such Proposed Treasury Regulation may be amended or modified, including upon the issuance of temporary or final Treasury Regulations).

(xi) Exercise of Noncompensatory Options. If, as a result of an exercise of a noncompensatory option to acquire an interest in the Company, a Capital Account reallocation is required under Treasury Regulations Section 1.704-1(b)(2)(iv)(s)(3), the Company shall make corrective allocations pursuant to Treasury Regulations Section 1.704-1(b)(4)(x).

(c) Tax Allocations.

(i) Except as provided herein, for federal income tax purposes, each Company item of income, gain, loss, deduction and credit will be allocated between the Members as its correlative item of "book" income, gain, loss, deduction or credit is allocated pursuant to this Article V and each tax credit shall be allocated to the Members in the same manner as the receipt or expenditures giving rise to such credit is allocated under this Article V.

(ii) Cost and percentage depletion deductions with respect to property the production from which is subject to depletion ("**Depletable Property**") shall be computed separately by the Members rather than the Company. For purposes of such computations, the federal income tax basis of each Depletable Property shall be allocated to each Member in accordance with such Member's Capital Interest Percentage as of the time such Depletable Property is acquired by the Company, and shall be reallocated among the Members in accordance with the Members' Capital Interest Percentages as determined immediately following the occurrence of an event giving rise to an adjustment to the Gross Asset Values of the Company's Depletable Properties pursuant to clause (b) of the definition of Gross Asset Value (or at the time of any material additions to the federal income tax basis of such Depletable Property). Such allocations are intended to be made in accordance with the "***partners' interests in partnership capital***" under Section 613A(c)(7)(D) of the Code.

Each Member, with the assistance of the Board of Managers, shall separately keep records of its share of the adjusted tax basis in each separate oil and gas property, adjust such share of the adjusted tax basis for any cost or percentage depletion allowable with respect to such property and use such adjusted tax basis in the computation of its cost depletion or in the computation of its gain or loss on the disposition of such property by the Company. Upon the request of the Board of Managers, each Member shall advise the Board of Managers of its adjusted tax basis in each separate oil and gas property and any depletion computed with respect thereto, both as computed in accordance with the provisions of this subsection. The Board of Managers may rely on such information and, if it is not provided by the Member, may make such assumptions as it shall determine with respect thereto. When reasonably requested by the Members, the Company shall provide all available information needed by the Members to comply with the record keeping requirements of this Section 5.2(c).

(iii) Except as provided in Section 5.2(c)(iv), for the purposes of the separate computation of gain or loss by each Member on the sale or disposition of each separate oil and gas property (as defined in Section 614 of the Code), the Company's allocable share of the "amount realized" (as such term is defined in Section 1001(b) of the Code) from such sale or disposition shall be allocated for federal income tax purposes among the Members as follows:

(A) first, to the extent such amount realized constitutes a recovery of the Simulated Basis of the property, to the Members in the same percentages as the depletable basis of such property was allocated to the Member pursuant to Section 5.2(c)(ii); and

(B) second, the remainder of such amount realized, if any, to the Members in accordance with Section 5.2(a).

(iv) Tax items with respect to Company assets that are contributed to the Company with a Gross Asset Value that varies from its basis in the hands of the contributing Member immediately preceding the date of contribution will be allocated between the Members for income tax purposes pursuant to Treasury Regulations promulgated under Code Section 704(c) so as to take into account such variation. The Company will account for such variation under any method approved under Code Section 704(c) and the applicable Treasury Regulations as chosen by the tax matters partner. If the Gross Asset Value of any Company asset is adjusted pursuant to the definition of "Gross Asset Value" herein, subsequent allocations of income, gain, loss, deduction and credit with respect to such Company asset will take account of any variation between the adjusted tax basis of such Company asset for federal income tax purposes and its Gross Asset Value in a manner consistent with Code Section 704(c) and the Treasury Regulations promulgated thereunder under any method approved under Code Section 704(c) and the applicable Treasury Regulations as chosen by the Board of Managers. Allocations pursuant to this Section 5.2(c) are solely for purposes of federal, state and local taxes and will not affect, or in any way be taken into account in computing, any Member's Capital Account, share of Profits and Losses (or items thereof), or any other items or distributions pursuant to any provision of this Agreement.

(d) Other Provisions.

(i) For any fiscal year or other period during which any part of a Membership Interest in the Company is transferred between the Members or to another Person, the portion of the Profits, Losses and other items of income, gain, loss, deduction and credit that are allocable with respect to such part of a Membership Interest in the Company will be apportioned between the transferor and the transferee under any method allowed pursuant to Section 706 of the Code and the applicable Treasury Regulations as determined by the Board of Managers.

(ii) In the event that the Code or any Treasury Regulations require allocations of items of income, gain, loss, deduction or credit different from those set forth in this Article V, the Board of Managers is hereby authorized to make new allocations in reliance on the Code and such Treasury Regulations, and no such new allocation will give rise to any claim or cause of action by any Member.

(iii) For purposes of determining a Member's proportional share of the Company's "excess nonrecourse liabilities" within the meaning of Treasury Regulations Section 1.752-3(a)(3), each Member's interest in Profits will be deemed to be in accordance with each Member's Sharing Percentage.

Section 5.3. Withholding. The Company may withhold distributions or portions thereof if it is required to do so by any applicable rule, regulation, or law, and each Member hereby authorizes the Company to withhold from or pay on behalf of or with respect to such Member any amount of federal, state, local or foreign taxes that the Board of Managers in good faith determines that the Company is required to withhold or pay with respect to any amount distributable or allocable to such Member pursuant to this Agreement. Any amounts withheld pursuant to this Section 5.3 will be treated as having been distributed to such Member for all purposes of this Agreement. To the extent that the cumulative amount of such withholding for any period exceeds the distributions to which such Member is entitled for such period, the Company shall notify such Member and such Member shall either (i) promptly pay the amount of such excess; *provided* that such payment will not be treated as a Capital Contribution or reduce the amount such Member is otherwise required to contribute pursuant to this Agreement or (ii) at such Member's election, the amount of such excess will be considered a loan from the Company to such Member, with interest accruing at the Interest Rate; *provided* that such loan may, at the option of the Board of Managers, be satisfied out of distributions to which such Member would otherwise be subsequently entitled. Each Member hereby unconditionally and irrevocably grants to the Company a security interest in such Member's Units to secure such Member's obligation to pay to the Company any amounts required to be paid pursuant to this Section 5.3. Each Member will take such actions as the Company may request in order to perfect or enforce the security interest created hereunder. Each Member hereby agrees to indemnify and hold harmless the Company, the other Members and the Board of Managers from and against any liability (including any liability for taxes, penalties, additions to tax or interest) with respect to income attributable to or distributions or other payments to such Member. In addition, each Member agrees that neither the Company, the Board of Managers nor any other Member will be liable for any excess taxes withheld in respect of a Member's Membership Interest and a Member's recourse will be limited to a refund claim or other claim or action against the applicable taxing authority.

Section 5.4. Limitation on Class B Unit Distributions. Notwithstanding anything to the contrary in this Agreement, no distribution will be made in respect of any Class B Unit that has a Benchmark Amount greater than zero pursuant to Section 5.1 or paragraph 1.01 of Exhibit 5.1 until the aggregate distributions made pursuant to such Sections following the issuance of any Class B Units in respect of the Initial Class B Units, determined on a per Unit basis, equal the Benchmark Amount attributable to each such Class B Unit. An amount equal to the amount of any reduction in distributions to a Class B Unitholder resulting from the application of the foregoing sentence (*i.e.*, the incremental amount that such Class B Unitholder would have otherwise been distributed) will be distributed, in accordance with Section 5.1 or Section 10.2 (as applicable), to the other Class B Unitholders in respect of Class B Units with Benchmark Amounts that are lower than that of the Class B Unit with respect to which such distributions were reduced and who would otherwise be entitled to participate in such distribution pursuant to Section 5.1 and the application of the first sentence of this Section 5.4. From and after the time the Company issues additional Class B Units and assigns such Class B Units a Benchmark Amount, distributions of Available Cash pursuant to Section 5.1 will be made after taking into account and applying the principles set forth in this Section 5.4; *provided*, that this Agreement may be amended by the Board of Managers pursuant to Section 12.2 in order to make such changes to this Agreement as the Board of Managers determines in its reasonable discretion is necessary to reflect the principles set forth in this Section 5.4 and nothing in this Section 5.4 will limit the right of a Class B Unitholder to receive tax distributions pursuant to paragraph 1.02 of Exhibit 5.1**.** The intent of this provision is to ensure that each Class B Unit is treated as a "profit interest" as that term is defined in Revenue Procedure 93-27, 1993-2 C.B. 343, as clarified by Revenue Procedure 2001-43, 2001-2 C.B. 191, and, as such, would not be entitled to receive any amounts upon a hypothetical liquidation of the Company immediately after such Class B Unit is granted and this provision shall be interpreted consistent with such intent.

Section 5.5. Return of Excess Distributions. The Members acknowledge and agree that the relative rights and preferences of the Members with respect to distributions made pursuant to Section 5.1 are intended to be measured with respect to the total amount of Capital Contributions and distributions made over the term of the Company's existence. Therefore, prior to making any distribution pursuant to Section 5.1 (other than any distribution pursuant to paragraph 1.02 of Exhibit 5.1, but including any distribution of proceeds following a Monetization Event) (the "Subject Distribution"), the Board of Managers shall determine the sum of (i) the cumulative amount of all distributions previously made by the Company to all Members and (ii) the aggregate amount of the Subject Distribution (collectively, the "Aggregate Distribution Amount"). The Board of Managers shall then determine for each Class B Unitholder such Class B Unitholder's share of the Aggregate Distribution Amount by applying the provisions of Section 5.1 (the "Intended Distribution Amount"). If the Board of Managers determines that the cumulative amount of distributions previously made by the Company to a Class B Unitholder (or such Class B Unitholder's predecessor in interest, as applicable) pursuant to Section 5.1 and the amount of the Subject Distribution anticipated to be made to such Class B Unitholder exceeds the Intended Distribution Amount of such Class B Unitholder (together with such Class B Unitholder's predecessor in interest, as applicable) (such excess, the "Excess Distribution Amount"), the Board of Managers shall reduce the amount of the Subject Distribution to be distributed to such Class B Unitholder in an amount equal to the Excess Distribution Amount for such Class B Unitholder, or to the extent necessary with respect to any Subject Distribution being made in connection with a Liquidation Event, require the Class B Unitholder to make a payment to the Company of an amount not to exceed such Excess Distribution Amount. Any portion of a Class B Unitholder's Excess Distribution Amount withheld from a Class B Unitholder or contributed by a Class B Unitholder to the Company pursuant to this Section 5.5 shall be distributed to the other Members in connection with the Subject Distribution in accordance with Section 5.1. If any Class B Unitholder receives any payment or distribution in connection with a Subject Distribution that should have otherwise been included in such Class B Unitholder's Excess Distribution Amount payable or distributable to the other Members under this Section 5.5, such Class B Unitholder shall promptly return such payment or distribution to the Company.

ARTICLE VI

MANAGEMENT/GOVERNANCE PROVISIONS

Section 6.1. Board of Managers. Except for situations in which the approval of the Members is required by this Agreement or by nonwaivable provisions of applicable law, the powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, managers, who shall be referred to herein each as a "**Manager**" or collectively as the "**Managers**," and who shall act as a board (when acting as a board, the Managers are referred to herein as the "**Board of Managers**").

Section 6.2. Certain Agreements.

(a) From and after the date hereof, the Board of Managers shall be composed of three (3) individuals, as follows: (i) CEC shall be entitled to designate two (2) of the Managers to the Board of Managers (each, a "**CEC Manager**"); and (ii) the Chief Executive Officer of BROG shall serve as one (1) of the Managers to the Board of Managers (the "**Management Manager**"). Except as prohibited by law, each CEC Manager shall be entitled to serve on each of the committees, if any, of the Board of Managers. The initial Managers are set forth in Exhibit 6.2(a). Commencing on the date hereof, the Board of Managers shall be composed of such designees, each of whom shall serve until his successor is duly selected in accordance with this Agreement and qualified or until such individual's death, resignation or removal.

(b) In the event that a vote of the Members is required to appoint a Manager of the Company, each Member agrees to vote for the Managers designated in accordance with this Section 6.2 and Section 6.4.

(c) Members of the Board of Managers will not be paid any fee for serving on the Board of Managers but will be entitled to reimbursement for reasonable out-of-pocket expenses incurred in connection with their service on the Board of Managers.

(d) Regular meetings of the Board of Managers shall be held quarterly or more frequently at such times and places as the Board of Managers may from time to time determine.

Section 6.3. Removal of Managers. Any Manager may be removed from the Board of Managers, with or without cause, by the Member(s) who designated such Manager to serve on the Board of Managers; *provided, however*, that with respect to any Manager who is also (a) an employee of the Company or its subsidiaries, or (b) is acting as an executive officer pursuant to a management services agreement, if such Manager's employment or contract with the Company or any of its subsidiaries is terminated for any reason, then such Manager shall automatically be removed from the Board of Managers effective as of such Date. Except as provided in the immediately preceding sentence, a Manager may not be removed from the Board of Managers.

Section 6.4. **Vacancies.** In the event that a vacancy is created on the Board of Managers at any time by the death, disability, retirement, resignation or removal of a Manager, the Member(s) that had designated such Manager to serve on the Board of Managers shall have the sole and exclusive right to designate a replacement therefor; *provided, however*, that vacancies created by the automatic removal of any Manager pursuant to the proviso in Section 6.3 shall be filled by the affirmative vote of the CEC Managers.

Section 6.5. **Meetings of Board of Managers**.

(a) Meetings of the Board of Managers, regular or special, may be held either within or without the State of Delaware.

(b) Regular meetings of the Board of Managers, of which no notice shall be necessary, shall be held at such times and places as may be fixed from time to time by resolution adopted by the Board of Managers and communicated to all Managers. Except as otherwise provided by statute, the Certificate, or this Agreement, any and all business may be transacted at any regular meeting.

(c) Special meetings of the Board of Managers may be called by Managers holding a majority of the aggregate number of votes entitled to be cast by all Managers on twenty-four (24) hours' written notice (effective upon receipt) to each Manager, either personally or by facsimile, electronic transmission, or overnight courier. Except as may be otherwise expressly provided by statute, the Certificate or this Agreement, neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Managers need be specified in the notice or waiver of notice of such meeting.

(d) Without limiting Section 6.5(e), at all meetings of the Board of Managers the presence (in person or by teleconference) or representation by proxy of Managers holding a majority of the aggregate number of votes entitled to be cast by all Managers shall be necessary and sufficient to constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the Board of Managers, the Managers present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Any business may be transacted at any such adjourned meeting which is subsequently reconvened that might have been transacted at the meeting as originally convened. The Board of Managers shall promptly notify any Manager not present at a meeting of any action taken at such meeting.

(e) Except as otherwise expressly set forth in this Agreement, any action by the Board of Managers shall require the affirmative vote of at least a majority of the aggregate number of votes entitled to be cast by all Managers on such matter. Each Manager shall be entitled to exercise one vote.

(f) The officer presiding over any meeting of the Board of Managers (in accordance with Section 6.7) shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as determined by him to be in order.

(g) Any action required or permitted to be taken at any meeting of the Board of Managers may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by Managers having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Managers entitled to vote thereon were present (in person or by teleconference) or represented by proxy and voted. A photographic, photostatic, facsimile or similar reproduction of a writing signed by a Manager, shall be regarded as signed by the Manager for purposes of this Section 6.5.

(h) Subject to the provisions of applicable law and this Agreement regarding notice of meetings and the granting of proxies, Persons serving on the Board of Managers (i) may, unless otherwise restricted by the Certificate or this Agreement, participate in and hold a meeting of the Board of Managers by using conference telephone, electronic transmission, or similar communications equipment by means of which all Persons participating in the meeting can hear each other and, (ii) may grant a proxy to another Manager or delegate its right to act to another Manager which proxy or delegation shall be effective as the attendance or action at the meeting of the Manager giving such proxy or delegation. Participation by a Manager in a meeting pursuant to this Section 6.5 shall constitute presence in Person at such meeting, except when a Person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened.

Section 6.6. Actions Requiring Board of Managers Approval.

(a) In addition to any other matters under applicable law that require the approval of the Board of Managers, the Company (or the officers and agents acting on its behalf), on its own behalf or on behalf of any of its subsidiaries, shall not take any of the following actions without having first received the approval of the Board of Managers in accordance with this Agreement:

(i) call for additional Capital Contributions to the Company;

(ii) create, incur, refinance or guarantee any Indebtedness;

(iii) authorize, issue, offer or sell any debt securities or any Equity Securities;

(iv) issue any Class B Units to any Eligible Recipient in accordance with Section 3.2(d);

(v) approve any Monetization Event, except in connection with the exercise by CEC of its right to cause a Company Sale or Approved IPO in accordance with Section 9.3;

(vi) effect the sale or Disposition of any material properties or assets of the Company, except in connection with the exercise by CEC of its right to cause a Company Sale or Approved IPO in accordance with Section 9.3;

(vii) appoint or remove any executive officer or any other employee or hire any person on a basis other than "at will" or terminate any such person employed on a basis other than "at will";

(viii) approve an Annual Budget (including any quarterly updates thereto) or amend or modify it in any material respect, or approve any Cost Overrun Items, in each case except that the Company may make additional capital expenditures to the extent necessary to preserve property from sudden and catastrophic loss and to preserve life and property in the event of any blow-out, fire, explosion, loss of circulation, loss of pipe or other equipment in the hole, environmental incident or other extraordinary, unusual or unexpected event;

(ix) select, engage or dismiss the Company's independent certified public accountants, independent petroleum engineers and other external consultants or advisors;

(x) commence the liquidation and dissolution of the Company in accordance with Article X or a voluntary bankruptcy by the Company, or consent to the appointment of a receiver, liquidator, assignee, custodian, or trustee for the purpose of winding up the affairs of the Company;

(xi) enter into, modify, amend, change or terminate any material contract or commitment (including all hedging and derivative contracts or any marketing contracts);

(xii) guarantee the performance of any non-financing contract or other obligation of any Person;

(xiii) make loans or other advances of credit to, or invest in the securities of, any other Person;

(xiv) mortgage, pledge, assign in trust or otherwise encumber any property or assets of the Company or any of its wholly-owned subsidiaries, or assign any monies owed or to be owed to the Company or any of its wholly-owned subsidiaries, except for customary Liens granted in the ordinary course of business;

(xv) make any distributions other than distributions made pursuant to paragraph 1.02 of Exhibit 5.1;

(xvi) except as contemplated by this Agreement or any Grant Letter, redeem, repurchase or otherwise acquire any Equity Securities;

(xvii) compromise or settle any lawsuit, administrative matter or other dispute;

(xviii) subject to Section 6.6(d), enter into, modify, amend or terminate any agreement with, or consummate any transaction involving, any Member, manager, officer, employee or other Affiliate of the Company, or any of their respective Affiliates (each a "**Related Party**");

(xix) cause the Company to engage in a public offering of its debt securities or Equity Securities, except in connection with the exercise by CEC of its right to cause an Approved IPO in accordance with Section 9.3;

(xx) admit any Member (except as permitted by Article IX);

(xxi) cause the conversion of the Company into any form of business organization other than a limited liability company, except in connection with the exercise by CEC of its right to cause a Company Sale or Approved IPO in accordance with Section 9.3;

(xxii) subject to Section 9.3, make an acquisition or Disposition (including any farm-out and farm-in transactions);

(xxiii) subject to Section 12.2, on behalf of the Company amend, modify or change this Agreement, the Certificate or any Grant Letter;

(xxiv) extend the Investment Period;

(xxv) form or create any subsidiaries;

(xxvi) change or restrict the principal line of business of the Company and its subsidiaries (taken as a whole), or change or participate in any activity inconsistent with the Company's purposes set forth in Section 1.3;

(xxvii) adopt any voluntary change in tax classification for federal income tax purposes of the Company or any of its subsidiaries;

(xxviii) enter into (A) any Commodity Hedging Transaction, other than pursuant to a hedging program approved by the Board of Managers, or (B) any other type of financial hedge (exclusive of a hedge contemplated under the defined term "Commodity Hedging Transaction"), such as an interest rate swap; or

(xxix) enter into any agreement or otherwise commit to do any of the foregoing.

(b) An annual budget for the Company (the "**Annual Budget**"), which shall set forth budgeted revenues, expenses and capital expenditures for the subsequent fiscal year (excluding capital expenditures for acquisitions) and after the first Annual Budget shall include actual versus budgeted figures for the previous fiscal year, shall be presented to the Board of Managers no later than three (3) days prior to each regularly scheduled annual meeting of the Board of Managers.

(c) The Members acknowledge and agree, notwithstanding anything to the contrary in the Act, that, subject to Section 6.10, the Board of Managers may affirmatively take (without any other approvals) any of the actions specified in this Section 6.6 requiring Board of Manager approval and no separate Member vote, consent or approval (whether by class or other) shall be required with respect to such actions; *provided* that any action that disproportionately reduces the relative interest of any Class A Unitholder in the profits or capital of the Company shall require the written consent of such Class A Unitholder.

(d) Notwithstanding any other provision of this Agreement to the contrary, transactions and agreements between the Company, on one hand, and any Related Party, on the other hand, shall be effected on terms and conditions that are, in the good faith determination of the Board of Managers, taken as a whole, no more favorable to such Related Party than would be available to any unaffiliated third party in an arms-length transaction.

Section 6.7. Officers.

(a) The officers of the Company elected by the Board of Managers may include a Chief Executive Officer, a President, and such other officers (including a Chief Financial Officer, Vice Presidents, Secretary, Assistant Secretaries, Treasurer and Assistant Treasurers) as the Board of Managers from time to time may determine. Officers elected by the Board of Managers shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Section 6.7 and the other terms and provisions hereof. Such officers shall also have such powers and duties as from time to time may be conferred by the Board of Managers. The Board of Managers may also appoint such other officers (including one or more Vice Presidents and Controllers) as may be necessary or desirable for the conduct of the business of the Company. Such other officers shall have such powers and duties and shall hold their offices for such terms as may be prescribed by the Board of Mangers or, if such officer has been appointed by the Chief Executive Officer or President, as may be prescribed by the appointing officer.

(b) No officer need be a resident of the State of Delaware, a Member or a Manager. Each officer shall hold office until his successor shall be duly designated and shall qualify or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same Person. The salaries or other compensation, if any, of the officers and agents of the Company shall be fixed from time to time by the Board of Managers.

(c) Any officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time is specified, at the time of its receipt by the Board of Managers. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Subject to Section 6.6, any officer may be removed as such, either with or without cause, by the Board of Managers; *provided, however*, that such removal shall be without prejudice to the contract rights, if any, of the Person so removed. Designation of an officer shall not of itself create contract rights. Any vacancy occurring in any office of the Company may be filled by the Board of Managers.

Section 6.8. Duties of Managers.

(a) Notwithstanding anything provided herein to the contrary, to the fullest extent permitted by the Act, a Person, in performing his duties and obligations as a CEC Manager under this Agreement shall be entitled to act or omit to act at the direction of CEC (or, if the Management Manager, in the Management Manager's own interests), considering only such factors, including the separate interests of CEC, as such Manager or Member(s) choose to consider, and any action of or failure to act by a CEC Manager taken or omitted in good faith reliance on the foregoing provisions shall not, as between the Company and the other Member(s), on the one hand, and such Manager or the Member(s) designating such Manager, on the other hand, constitute a breach of any duty (including any fiduciary or other similar duty, to the extent such exists under the Act or any other applicable law, rule or regulation) on the part of such Manager or the Member(s) to the Company or any other Manager or Member of the Company.

(b) The Members (and the Members on behalf of the Company) hereby:

(i) agree that (A) the terms of this Section 6.8, to the extent that they modify or limit a duty or other obligation, if any, that a Manager may have to the Company or any other Member under the Act or other applicable law, rule or regulation, are reasonable in form, scope and content; and (B) the terms of this Section 6.8 shall control to the fullest extent possible if it is in conflict with a duty, if any, that a Manager may have to the Company or another Member, under the Act or any other applicable law, rule or regulation; and

(ii) waive to the fullest extent permitted by the Act any duty or other obligation, if any, that a Member (in its capacity as such) may have to the Company or another Member, pursuant to the Act or any other applicable law, rule or regulation, to the extent necessary to give effect to the terms of this Section 6.8.

(c) The Members, on behalf of the Company, acknowledge, affirm and agree that (i) CEC would not be willing to make an investment in the Company, and no person designated by CEC to serve on the Board of Managers would be willing to so serve, in the absence of this Section 6.8, and (ii) they have reviewed and understand the provisions of §§18-1101(b) and (c) of the Act.

Section 6.9. Other Investments of CEC Related Parties; Waiver of Conflicts of Interest and Negation of Duties and Obligations.

(a) Each Member acknowledges and affirms that CEC and the CEC Managers (collectively, the "**CEC Related Parties**"):

(i) (A) have participated (directly or indirectly) and will continue to participate (directly or indirectly) in venture capital, private equity and other direct investments in corporations, joint ventures, limited liability companies and other entities (in this Section 6.9, "**Other Investments**"), including Other Investments engaged in various aspects of the U.S. "upstream," "downstream" and "midstream" oil and gas business that may, are or will be competitive with the Company's business or that could be suitable for the Company, (B) have interests in, participate with, aid and maintain seats on the board of directors or similar governing bodies of, Other Investments, and (C) may develop or become aware of business opportunities for Other Investments; and

(ii) may or will, as a result of or arising from the matters referenced in clause (i) above, the nature of the CEC Related Parties' businesses and other factors, have conflicts of interest or potential conflicts of interest.

(b) The Members, in their capacities as Members and on behalf of the Company, expressly (x) waive any such conflicts of interest or potential conflicts of interest and agree that no CEC Related Party or its representatives shall have any liability to any Member or any Affiliate thereof, or the Company with respect to such conflicts of interest or potential conflicts of interest and (y) acknowledge and agree that the CEC Related Parties and their respective representatives will not have any duty to disclose to the Company, any other Member or the Board of Managers or any Managers any such business opportunities, whether or not competitive with the Company's business and whether or not the Company might be interested in such business opportunity for itself; *provided, however*, that the foregoing shall not be construed to permit any breach of Section 12.12. The Members (and the Members on behalf of the Company) also acknowledge that the CEC Related Parties and their representatives have duties not to disclose confidential information of or related to the Other Investments.

(c) The Members (and the Members on behalf of the Company) hereby:

(i) agree that (A) the terms of this Section 6.9, to the extent that they modify or limit any duty of loyalty or other similar obligation, if any, that a CEC Related Party may have to the Company or another Member under the Act or other applicable law, rule or regulation, are reasonable in form, scope and content; and (B) the terms of this Section 6.9 shall control to the fullest extent possible if it is in conflict with any duty of loyalty or similar obligation, if any, that a CEC Related Party or its representatives may have to the Company or another Member, the Act or any other applicable law, rule or regulation; and

(ii) waive any duty of loyalty or other similar obligation, if any, that a CEC Related Party or its representatives may have to the Company or another Member, pursuant to the Act or any other applicable law, rule or regulation, to the extent necessary to give effect to the terms of this Section 6.9.

(d) Whenever in this Agreement a Member or any representative thereof (including a Manager designated by such Member or instructed to act by such Member) is permitted or required to make a decision (a) in its "sole discretion" or "discretion" or under a grant of similar authority or latitude, the Member shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interests of or factors affecting the Company or any other Member, or (b) in its "good faith" or under another expressed standard, to the fullest extent permitted by the Act, a Member shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or any other agreement contemplated herein or by relevant provisions of law or in equity or otherwise.

(e) The Members, individually and on behalf of the Company, acknowledge, affirm and agree that (i) the execution and delivery of this Agreement by CEC is of material benefit to the Company and the Members, and that CEC would not be willing to (x) execute and deliver this Agreement, and (y) make their agreed Capital Contributions to the Company, without the benefit of this Section 6.9 and the agreement of the parties, including the Members, thereto; and (ii) they have reviewed and understand the provisions of §§18-1101(b) and (c) of the Act.

Section 6.10. Actions Requiring Member Approval.

In addition to any other matters under applicable law that require the approval of the Members, none of the Board of Managers, the Company or the officers and agents of the Company acting on its behalf shall take any of the following actions without having first received the approval of the Members adversely affected thereby:

(a) increase or reduce any Member's Capital Account, except as provided in Article IV or Article V;

(b) allocate any Profits and Losses or make any distributions, except as provided in Article IV, Article V, Article IX, Article X or Exhibit 5.1; or

(c) enter into any agreement or otherwise commit to do any of the foregoing.

ARTICLE VII

ACCOUNTING AND BANKING MATTERS; CAPITAL ACCOUNTS; TAX AND RELATED MATTERS

Section 7.1. Books and Records; Reports.

(a) The Company shall keep and maintain full and accurate books of account for the Company in accordance with GAAP consistently applied in accordance with the terms of this Agreement. Such books shall be maintained at the principal United States office of the Company or offsite so long as they are easily accessible. The Class A Unitholders (and their respective Affiliates and designated representatives) shall have (i) prompt and reasonable access, upon reasonable prior request and at reasonable times, to all books, records and properties of the Company, and to employees of the Company with responsibility for operating, financial, legal or accounting matters generally and (ii) such other information as the Board of Managers may from time to time reasonably request. Notwithstanding anything to the contrary in this Agreement, no Member other than the Class A Unitholders (and their respective Affiliates and designated representatives) shall have any right to review, inspect or copy the books and records of the Company relating to the Commitment Amount of CEC or the ownership of the Class A Units or Class B Units by the Members.

(b) The Company shall provide to each of the Class A Unitholders the following:

(i) as soon as available, but in any event within 90 days after the end of each fiscal year of the Company, a copy of the audited consolidated balance sheet of the Company and its subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures as of the end of and for the previous year, together with a narrative discussion and analysis of the financial condition and results of operations of the Company and its subsidiaries for such fiscal year as compared to the previous year, and reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by the Company's independent certified public accountants;

(ii) as soon as available, but in any event not later than 60 days after the end of each of the first three fiscal quarterly periods of each fiscal year of the Company, a narrative discussion and analysis of the financial condition and results of operations of the Company and its subsidiaries for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter, as compared to the portion of the internally prepared profit and loss projections covering such periods and to the comparable periods of the previous year;

(iii) as soon as available, but in any event not later than 30 days after the end of each calendar month;

(A) a report, in form and substance acceptable to CEC, with respect to the revenue received by the Company and its subsidiaries for such month as well as the cash and debt balances of the Company and its subsidiaries as of the last day of such month and including such other detail as CEC shall request;

(B) a schedule of the Company's well commitments as of the last day of such month, together with a reconciliation to the schedule well commitments as of the last day of the immediately preceding month, and a schedule of the Company's wells as of the last day of such month that are either producing, drilling, or permitted but undrilled; and

(C) a schedule, certified by the Chief Executive Officer, President or Chief Financial Officer of the Company, but in any event, with respect to financial matters, the Chief Financial Officer (the "**Responsible Officer**"), detailing the capital expenditures made by the Company and its subsidiaries during such month in such form and with such detail as CEC shall request (including a comparison of actual costs with estimated costs); and

(D) such other information as CEC may from time to time request.

All such financial statements delivered pursuant to this Section 7.1(b)(i) through 7.1(b)(iii) shall be complete and correct in all material respects and prepared in reasonable detail and in accordance with GAAP, applied consistently throughout the periods reflected therein and with prior periods (except as approved by the Company's independent certified public accountants or Responsible Officer, as the case may be, and disclosed therein, and quarterly financial statements shall be subject to normal year-end audit adjustments and need not be accompanied by footnotes).

(iv) as soon as available, but in any event within 30 days after the end of each month, a report, in form and substance reasonably satisfactory to CEC, setting forth a statement of gross and net production and sales proceeds of all Hydrocarbons produced from the Oil and Gas Properties, together with such other information as CEC may reasonably request;

(v) as soon as available, but in any event within 30 days after the end of each quarterly period of each fiscal year, a report, in form and substance reasonably satisfactory to CEC, setting forth as of the last Business Day of such quarterly period, a summary of the hedging positions of the Company and its subsidiaries under all Commodity Hedging Transactions (including any contracts of sale which provide for prepayment for deferred shipment or delivery of Hydrocarbons or other commodities) of the Company and its subsidiaries, including the type, term, effective date, termination date and notional principal amounts or volumes, the hedged price(s), interest rate(s) or exchange rate(s), as applicable, and any new credit support agreements relating thereto;

(vi) (A) on or before March 15 of each year, a reserve report prepared by the Company's petroleum engineers acceptable to CEC, dated as of December 31 of the previous year; (B) promptly upon written request by CEC, a reserve report prepared by the Company's independent petroleum engineers dated as of the first day of the month during which the Company receives such request; *provided* that, CEC may request, at the Company's cost and expense, no more than two such reserve reports during any 12-month period, with any additional requests for updated reserve reports during any such period to be at CEC's cost and expense, together with an accompanying report on, since the date of the last reserve report previously delivered hereunder, sales and purchases of Oil and Gas Properties and changes in categories concerning the Oil and Gas Properties owned by the Company which have attributable to them proved reserves and containing information and analysis with respect to the proved reserves of the Company as of the date of such report and the PV 10 Value; and (C) together with each reserve report furnished pursuant to (A) or (B), (I) any updated production history of the proved reserves of the Company as of such date, (II) the lease operating expenses attributable to the Oil and Gas Properties of the Company for the prior 12-month period, (III) any other information as to the operations of the Company and its subsidiaries as reasonably requested by CEC and (IV) such additional data and information concerning pricing, quantities, volume of production and production imbalances from or attributable to the Oil and Gas Properties with respect thereto as CEC may reasonably request;

(vii) not later than 30 days after the end of each March 31, June 30 and September 30 of each fiscal year of the Company, an internally prepared report prepared as of each such date, which report, together with an accompanying report on purchases and sales of Oil and Gas Properties and changes in categories since the date of the last reserve report or internally prepared report previously delivered under this Agreement, as applicable, both substantially in the same form and substance as the reserve reports referred to in Section 7.1(b)(vi), each such internally prepared report having been prepared by or at the direction of the Company and (together with the related PV 10 Value calculation) having been certified in writing by the senior or consulting petroleum engineer of the Company as to the truth and accuracy of the historical information utilized to prepare the internally prepared report and the estimates included therein;

(viii) reports, certifications, engineering studies, environmental assessments or other written material or data requested by, and in form, scope and substance reasonably satisfactory to, CEC, in the event that CEC at any time has a reasonable basis to believe that there may be a material violation of any Environmental Law or a condition at any property owned, operated or leased by the Company or its subsidiaries that could reasonably give rise to a Material Adverse Effect; *provided, further*, that if the Company or its subsidiaries fail to provide such reports, certifications, engineering studies or other written material or data within 75 days after the request of CEC, CEC shall have the right, at the Company's sole cost and expense, to conduct such environmental assessments or investigations as may reasonably be required to enable the Company to determine whether the Company is in material compliance with Environmental Laws;

(ix) as soon as is practicable following the written request of CEC and in any event within 60 days after the end of each fiscal year, a report in form and substance satisfactory to CEC outlining all material insurance coverage maintained as of the date of such report by the Company and the duration of such coverage;

(x) promptly after the formation, in accordance herewith, of any pool or unit affecting Oil and Gas Properties in which the Company or its subsidiaries owns a 5% working interest or greater, a conformed copy of the recorded pooling agreement, declaration of pooling, or other instrument creating the pool or unit; and

(xi) upon request by CEC, such other reports and information with respect to the Oil and Gas Properties of the Company or its subsidiaries or the financial condition of the Company or its subsidiaries as may be so requested.

(c) The Company shall provide to the Board of Managers such other reports, information (in any form, electronic or otherwise) as a majority of the Managers serving on the Board of Managers may reasonably request.

Section 7.2. **Fiscal Year.** The calendar year shall be selected as the fiscal year of the Company.

Section 7.3. **Bank Accounts.** The Company shall maintain one or more bank accounts in the name of the Company in such bank or banks as may be determined by the Board of Managers, which accounts shall be used for the payment of expenditures incurred by the Company in connection with the business of the Company and in which shall be deposited any and all receipts of the Company. All such receipts shall be and remain the property of the Company and shall not be commingled in any way with funds of any other Person.

Section 7.4. **Tax Partnership.** It is the intent of the Members that the Company be treated as a partnership for federal income tax purposes and, to the extent permitted by applicable law, for state and local franchise and income tax purposes and neither the Company nor any Member shall file an election to classify the Company as an association taxable as a corporation for federal income tax purposes. Notwithstanding the foregoing, it is agreed that this Section 7.4 shall not be applicable if the tax status of the Company were to be reclassified as a result of a merger or other transaction approved by the Board of Managers in accordance with the terms hereof.

Section 7.5. **Tax Elections.** The Company shall make the following elections:

(a) to elect the calendar year as the Company's fiscal year;

(b) to elect the accrual method of accounting; and

(c) to deduct when incurred IDCs;

(d) To elect in a timely manner pursuant to Section 754 of the Code and pursuant to corresponding provisions of applicable state and local tax laws, an election under Section 754 of the Code and the Treasury Regulations promulgated thereunder to adjust the bases of the Company's properties under Sections 734 and 743 of the Code; and

(e) any other election the Board of Managers may deem appropriate and in the best interests of the Members.

Section 7.6. **Tax Matters Partner.**

(a) For all tax years beginning on or before December 31, 2017, pursuant to Section 6221 et. seq., Subchapter C of Chapter 63 of Subtitle F of the Code, CEC shall be designated and shall serve as the "tax matters partner" (as defined in Section 6231 of the Code), to oversee or handle matters relating to the taxation of the Company, and as the tax matters partner, shall have the right and obligation to take all actions authorized and required, respectively, by the Code for the tax matters partner. If CEC ceases to be Member of the Company or resigns as tax matters partner, the Board of Managers shall designate a new tax matters partner. The Company will reimburse the tax matters partner for all costs and expenses incurred by the tax matters partner in connection with serving as tax matters partner with respect to the Company.

(b) For all tax years beginning after December 31, 2017, pursuant to Section 6221 et. seq., Subchapter C of Chapter 63 of Subtitle F of the Code, CEC shall be designated and may, on behalf of the Company, at any time, and without further notice to or consent from any Member, act as the "partnership representative" of the Company for purposes of the Code. The "partnership representative" shall have the right and obligation to take all actions authorized and required, respectively, by the Code for the "partnership representative." If CEC ceases to be a Member of the Company or resigns as partnership representative, the Board of Managers shall designate a new partnership representative. The Company will reimburse the partnership representative for all costs and expenses incurred by the partnership representative in connection with serving as partnership representative with respect to the Company.

Section 7.7. **Tax Returns**.

(a) The Company shall deliver or cause to be delivered, (i) at least fifteen (15) days prior to the date that any corporation estimated quarterly tax payments are due, an estimate of the United States federal and state income quarterly tax obligations of each Person who was a Member at any time during such calendar quarter, (ii) within forty five (45) days after the end of each tax year, to each Person who was a Member at any time during such tax year, a draft of all information necessary for the preparation of such Person's United States federal and state income tax returns, and (iii) within ninety (90) days after the end of each tax year, to each Person who was a Member at any time during such tax year, federal and state Schedule K-1s in final form.

(b) The Company shall deliver or cause to be delivered all information requested by a Member in order for such Member to complete its tax filings with respect to "unrelated business taxable income" (within the meaning of Section 512(a) of the Code and the Treasury Regulations promulgated thereunder) and the Foreign Investment in Real Property Tax Act of 1980 (including Sections 897 and 1445 of the Code and the Treasury Regulations promulgated thereunder), if any.

ARTICLE VIII

INDEMNIFICATION

Section 8.1. Exculpation and Power to Indemnify in Actions, Suits or Proceedings Other Than Those by or in the Right of the Company. No Member, Manager or officer of the Company, or Person serving at the request of the Company as a member, manager, director or officer of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, shall have any liability for any act or failure to act in fulfillment of his duties, obligations or responsibilities (other than in an action by or in the right of the Company at the direction of such Person or if otherwise brought by such Person against the Company) if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Subject to Section 8.3, the Company shall indemnify any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company at the direction of such Person or if otherwise brought by such Person against the Company or any Manager) by reason of the fact that he is or was a Member, Manager or officer of the Company, or is or was serving at the request of the Company as a member, manager, director or officer of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 8.2. Exculpation and Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Company. No Member, Manager or officer of the Company, or Person serving at the request of the Company as a member, manager, director or officer of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, shall have any liability for any act or failure to act in fulfillment of his duties, obligations or responsibilities in an action by or in the right of the Company or if brought by such Person against the Company if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful, and whose action or inaction constituted neither gross negligence nor willful misconduct. Subject to Section 8.3, the Company shall indemnify any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in his favor by reason of the fact that he is or was a Member, Manager or officer of the Company, or is or was serving at the request of the Company as a member, manager, director or officer of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and except that no indemnification shall be made in respect of any claim, issue or matter as to which such Person shall have been adjudged to be liable for gross negligence or willful misconduct in the performance of his duty to the Company unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such Person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. Notwithstanding anything to the contrary in this Agreement, each officer's duties with respect to the Company shall be those duties that would be applicable if such officer were an officer in a corporation organized under the laws of the State of Delaware.

Section 8.3. **Authorization of Indemnification.** Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the Member, Manager or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 8.1 or Section 8.2. Such determination shall be made in good faith (i) by the Managers, or (ii) if the Managers so direct, by independent legal counsel in a written opinion, or (iii) by the Members. To the extent that a Member, Manager or officer has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 8.1 or Section 8.2, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

Section 8.4. **Good Faith Defined.** For purposes of any determination under Section 8.3, a Person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the Company or another enterprise, or on information supplied to him by the officers or Managers of the Company or the officers, managers or directors of another enterprise in the course of their duties, or on the advice of legal counsel for the Company or another enterprise or on information or records given or reports made to the Company or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company or another enterprise. The term "**another enterprise**" as used in this Section 8.4 shall mean any other limited liability company, corporation, partnership, joint venture, trust, employee benefit plan or other enterprise of which such Person is or was serving at the request of the Company as a member, manager, director, officer, employee or agent. The provisions of this Section 8.4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a Person may be deemed to have met the applicable standard of conduct set forth in Section 8.1 or Section 8.2, as the case may be.

Section 8.5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 8.3, and notwithstanding the absence of any determination thereunder, any Member, Manager or officer of the Company may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 8.1 and 8.2. The basis of such indemnification by a court shall be a determination by such court that indemnification of the Member, Manager or officer of the Company is proper in the circumstances because he has met the applicable standards of conduct set forth in Section 8.1 or 8.2, as the case may be. Neither a contrary determination in the specific case under Section 8.3 nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the Member, Manager or officer of the Company seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 8.5 shall be given to the Company promptly upon the filing of such application. If successful, in whole or in part, the Member, Manager or officer of the Company seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 8.6. Expenses Payable in Advance. Expenses incurred by a Member, Manager or officer of the Company in defending or investigating a threatened or pending action, suit or proceeding shall be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Member, Manager or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Company as authorized by this Article VIII.

Section 8.7. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any agreement, contract, vote of Members or Board of Managers, or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, it being the policy of the Company that indemnification of the Persons specified in Sections 8.1 and 8.2 shall be made to the fullest extent permitted under the Delaware General Corporation Law with respect to the indemnification by a Delaware corporation of its officers and directors. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any Person who is not specified in Section 8.1 or Section 8.2 but whom the Company has the power or obligation to indemnify under the provisions of the Act or otherwise.

Section 8.8. Insurance. The Company shall purchase and maintain insurance on behalf of any Person who is or was a Manager or officer of the Company, or is or was serving at the request of the Company as a Member, manager, director, or officer of another limited liability company, corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Company would have the power or the obligation to indemnify him against such liability under the provisions of this Article VIII. The amount of such insurance shall be determined by the Board of Managers as necessary to cover adequately the liabilities described above. The Board of Managers may increase such amount as it deems necessary or appropriate.

Section 8.9. Certain Definitions. For purposes of this Article VIII, references to "the Company" shall include, in addition to the resulting entity, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its members, managers, directors, officers, and employees or agents, so that any Person who is or was a member, manager, director, officer, employee or agent of such constituent entity, or is or was serving at the request of such constituent entity as a member, manager, director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a Person with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a Member, Manager, director, officer, employee or agent of the Company which imposes duties on, or involves services by, such Member, Manager, director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a Person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Article VIII.

Section 8.10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a Person who has ceased to be a Member, Manager or officer and shall inure to the benefit of the heirs, executors and administrators of such Person and shall survive the dissolution, liquidation and termination of the Company.

Section 8.11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 8.5), the Company shall not be obligated to indemnify any Member, Manager or officer in connection with a proceeding (or part thereof) initiated by such Person unless such proceeding (or part thereof) was authorized or consented to by the Board of Managers.

Section 8.12. Indemnification of Employees and Agents. The Company may, to the extent authorized from time to time by the Board of Managers, provide rights to indemnification and the advancement of expenses to employees and agents of the Company similar to those conferred in this Article VIII to Members, Managers and officers of the Company.

Section 8.13. Severability. The provisions of this Article VIII are intended to comply with the Act. To the extent that any provision of this Article VIII authorizes or requires indemnification or the advancement of expenses contrary to the Act or the Certificate, the Company's power to indemnify or advance expenses under such provision shall be limited to that permitted by the Act and the Certificate and any limitation required by the Act or the Certificate shall not affect the validity of any other provision of this Article VIII.

Section 8.14. Exoneration of Liability for Unlawful Distribution, Unit Repurchase or Redemption. To the extent any liability is imposed upon a Manager of the Company based on an unlawful distribution by the Company or an unlawful repurchase or redemption by the Company of any Units, the Manager may be exonerated from such liability if such Manager was absent from the meeting in which the unlawful act was approved or if such Manager dissented from the authorization of such unlawful act and caused such dissent to be entered into the minutes of the meeting. If exonerated under this Section 8.14, the Manager shall be entitled to contribution from the other Managers who voted for the unlawful dividend, repurchase, or redemption.

Section 8.15. Priority of Indemnification. Notwithstanding any provision of this Agreement, the Certificate, or other organizational document of the Company or any of its subsidiaries, or contract to which the Company or any of its subsidiaries is a party, to the contrary, the Company and each of its subsidiaries acknowledges and agrees that the Company and its subsidiaries are, and shall at all times be, the indemnitors of first resort with respect to any and all matters for which advancement of expenses and indemnification are provided by the Company or its subsidiaries to or on behalf of holders of Class A Units (each such Person, an "**Indemnitee**") and the obligations of the Company and its subsidiaries to each Indemnitee are primary. The Company and each of its subsidiaries hereby unconditionally and irrevocably waives, relinquishes and releases (and covenants and agrees not to exercise, and to cause each of its Affiliates not to exercise), any claims or rights that it or any of its Affiliates may now have or hereafter acquire against any Indemnitee or Affiliate thereof that arise from or relate to the existence, payment, performance or enforcement obligation of the Company, such subsidiary or their respective Affiliates to any Indemnitee, including any right of subrogation, reimbursement, exoneration, contribution or indemnification, whether such right to claim, take or receive, directly or indirectly, in cash or other property or by set-off or in any other manner, any payment or security or other credit support on account of such claim, remedy or right.

ARTICLE IX

DISPOSITIONS; PREEMPTIVE AND PARTICIPATION RIGHTS

Section 9.1. Dispositions; Exception to Application of this Article IX.

(a) No Class A Unitholder may voluntarily Dispose of Class A Units except Dispositions (i) made in connection with and pursuant to a transaction that is a Change of Control approved in accordance with Section 6.6; (ii) made to Permitted Transferees of such Member; (iii) made as a Participation Member in accordance with the provisions of Section 9.5; (iv) made in connection with a Company Sale in accordance with the provisions of Section 9.3; (v) made after a Qualified IPO approved in accordance with Section 6.6; or (vi) as are approved in advance in writing by the Board of Managers.

(b) No Class B Unitholder may voluntarily Dispose of any Class B Units except Dispositions (i) made in connection with and pursuant to a transaction that is a Change of Control (including in connection with a Company Sale); (ii) made to Permitted Transferees; (iii) made as a Participation Member in accordance with the provisions of Section 9.5; or (iv) as are approved in advance in writing by the Board of Managers.

(c) The foregoing to the contrary notwithstanding, a Disposition by a Member shall be null and void ab initio (i) if, following the proposed Disposition, the Company would constitute a "publicly traded partnership" for purposes of Section 7704 of the Code or such Disposition would make the Partnership ineligible for "safe harbor" treatment under Section 7704 of the Code (unless such condition is waived by the Board of Managers), (ii) if the transferee fails to deliver to the Company all documents required pursuant to Section 9.2, or (iii) such Disposition would result in the violation of any applicable federal or state securities laws. All reasonable out-of-pocket costs and expenses incurred by the Company in connection with any Disposition by a Member of all or a part of its Units shall be borne by such Member.

(d) Each Member shall be subject to the provisions of Section 12.12 in connection with any proposed Disposition of Units in accordance with this Article IX, and nothing in this Article IX shall be construed to permit any breach or otherwise modify the restrictions contained in Section 12.12.

(e) A Member shall not Dispose, or permit the Disposition of, any Equity Securities with a purpose of avoiding restrictions on Disposition set forth in this Agreement.

Section 9.2. Substitution.

(a) Unless an assignee of Units becomes a Member in accordance with the provisions of Section 9.2(b), such assignee shall not be entitled to any of the rights granted to a Member hereunder in respect of such Units, other than the right to receive allocations of income, gain, loss, deduction, credit and similar items and distributions to which the assignor would otherwise be entitled, to the extent such items are assigned.

(b) An assignee of the Units of a Member, or any portion thereof, shall become a Member entitled to all of the rights and subject to all the obligations of the assigning Member in respect of such Units (including the obligation to make Capital Contributions in respect of such Member's Commitment Amount in accordance with the terms of this Agreement and, subject to the immediately following sentence, the right to designate a Manager pursuant to Section 6.2) if, and only if the Disposition is permitted under Section 9.1 and the assignee executes and delivers such instruments, in form and substance reasonably satisfactory to the Board of Managers, to effect such substitution and to confirm the agreement of the assignee to be bound by all of the terms and provisions of this Agreement. For the avoidance of doubt, the right to designate a Manager pursuant to Section 6.2 may be assigned by CEC to any transferee of Class A Units held by CEC.

(c) Any Disposition of Class B Units shall be subject to any vesting provisions or other restrictions set forth in the Grant Letter related to such Class B Units.

Section 9.3. Drag-Along.

(a) At any time prior to the consummation of a Qualified IPO or a Disposition by CEC and its Affiliates of all or substantially all of its Class A Units in one transaction or a series of related transactions, CEC may elect, by at least fifteen (15) days written notice to the Board of Managers (a "**Company Sale Notice**"), to cause (i) all Unitholders to consummate a Disposition to any Person of all of the outstanding Units of the Company (any such transaction, a "**Company Sale**") or (ii) a Qualified IPO (an "**Approved IPO**"); *provided, however*, that once CEC has provided the Company Sale Notice in accordance with this Section 9.3(a), CEC shall be entitled to take (or cause the Company or Board of Managers to take) all steps reasonably necessary to carry out (x) a sale of Class A Units, including selecting an investment bank, providing confidential information to potential acquirers in accordance with Section 12.12, and negotiating the requisite documentation notwithstanding the fact that no specific acquirer or transaction shall have been identified to effect the Company Sale as of the date of the Company Sale Notice or (y) an Approved IPO, including selecting underwriters, providing confidential information to underwriters in accordance with Section 12.12 and negotiating requisite documentation.

(b) No later than the later of (i) thirty (30) days after delivery of a Company Sale Notice or (ii) thirty (30) Business Days prior to the consummation of a Company Sale or Approved IPO, the Board of Managers shall notify each Unitholder, in writing, of the election by CEC to initiate a Company Sale or an Approved IPO and such notice shall describe in reasonable detail (i) in the case of a Company Sale, the name of the Person to whom such Company Sale is being made; (ii) the proposed date of the consummation of such Company Sale or Approved IPO; (iii) the material terms of such Company Sale or Approved IPO and (iv) a copy of any form of agreement or prospectus or other offering document proposed to be executed in connection with such Company Sale or Approved IPO.

(c) Each Unitholder agrees that upon receipt of a Company Sale Notice it will (i) take such action as may reasonably be required, including voting its Units in any such Company Sale, and (ii) cause its designated Managers to take such action required, to approve and cause such Company Sale or Approved IPO, as applicable, to promptly be consummated. In the event of a Company Sale involving a Disposition of all of the outstanding Units of the Company, each Unitholder shall be required to Dispose of all their Units in such Company Sale free and clear of all Liens (other than Liens created by this Agreement or restrictions on transfer pursuant to federal and state securities laws).

(d) CEC shall have the right in connection with any such Company Sale or Approved IPO, as applicable, to require the Company and the other Members to cooperate fully with potential acquirors or underwriters, as applicable, in such prospective Company Sale or Approved IPO, as applicable, by taking all customary and other actions reasonably requested by CEC or such potential acquirors or underwriters, as applicable, including (i) with respect to the Company, making its properties, books and records, and other assets reasonably available for inspection by such potential acquirors or underwriters, as applicable, (ii) with respect to the Company, establishing a data room including materials customarily made available to potential acquirors or underwriters, as applicable, in connection with such processes, (iii) subject to Section 9.3(e)(iii), making customary representations and warranties to such potential acquirors or underwriters, as applicable, and, with respect to any Member who is an employee of the Company and subject to the terms of any Grant Letter or other agreement between the Company and such Member, agreeing to customary non-competition restrictions, (iv) with respect to the Company, making its employees reasonably available for presentations, interviews, road shows and other diligence activities, in each case subject to reasonable and customary confidentiality provisions. The Company and each Unitholder shall provide assistance with respect to these actions as reasonably requested by CEC. In connection with any Approved IPO, CEC, the Class B Unitholders and the Company shall enter into a mutually acceptable registration rights agreement, which agreement shall provide, *inter alia*, CEC with customary demand registration rights and CEC and the Class B Unitholders with customary "piggyback" registration rights (including with respect to the Approved IPO, on a pro rata basis, to the extent that CEC is a selling stockholder in such offering).

(e) Notwithstanding anything contained in this Section 9.3, the obligation of the Unitholders to participate in any Company Sale or Approved IPO is subject to the following conditions:

(i) the terms and conditions of such Company Sale shall be the same for all Unitholders and upon the consummation of such Company Sale, all of the Unitholders participating therein will receive the same form of consideration, the amount of consideration shall be allocated in accordance with Section 5.1, and no Unitholder or any of its Affiliates will receive any payment or other consideration of any nature whatsoever from the transferee in connection with or arising from such Company Sale or Approved IPO other than the consideration allocated to the Unitholders in accordance with Section 5.1;

(ii) in connection with any Approved IPO in which the Company acts as issuer, each holder of Units will receive securities issued in connection with such Approved IPO having a value equal to the same proportion of the sum of (1) the estimated aggregate net proceeds to the equity holders of the Company selling securities in the Approved IPO (less the reasonably estimated expenses of such Approved IPO to such equity holders), plus (2) the aggregate Pre-IPO Value that such holder would have received if all of the Company's cash and other property had been distributed by the Company in complete liquidation pursuant to the rights and preferences set forth in Section 5.1 as in effect immediately prior to such distribution assuming that the value of the Company immediately prior to such liquidation distribution was equal to the sum of such estimated aggregate net proceeds described in clause (1) above and the Pre-IPO Value; *provided, however*, that the securities issued in the Approved IPO with respect to unvested Class B Units shall remain subject to vesting in accordance with, and to the extent provided in, the applicable Grant Letter; *provided further, however*, that if (x) the foregoing provisions would result in the holders of Class B Units receiving only a nominal amount of such securities or none, then the Board may elect to have such Class B Units canceled for no consideration. For the sake of clarity, CEC may elect in connection with a proposed Approved IPO where a subsidiary of the Company or another entity that is not the Company or its successor is the issuer in such Approved IPO to not cause the foregoing exchange in connection therewith and, to the extent such exchange does not occur, this Agreement will continue in effect after an Approved IPO in accordance with its terms;

(iii) in connection with any Company Sale or Approved IPO, no Unitholder other than CEC shall be (A) required to make any representations and warranties other than representations and warranties solely with respect to such Unitholder, (B) liable for any indemnification obligations to any potential purchaser or underwriter in respect of such representations on a joint, rather than several, basis, and in no event with respect to an amount in excess of the net cash proceeds paid to such Unitholder in such transaction, and (C) subject to any escrow, holdback or similar arrangement relating to such transaction other than on a pro rata basis with CEC and, in no event with respect to an amount in excess of the net cash process paid to such Unitholder in such transaction;

(iv) no Unitholder shall be required to take any action in connection with any Company Sale or Approved IPO that would cause such Unitholder to spend money or incur liabilities (other than de minimis expenses or expenses paid by the Company pursuant to clause (v) below); and

(v) the Company shall be obligated to pay any expenses incurred by the Company in connection with any Company Sale or Approved IPO, whether or not such Company Sale or Approved IPO is consummated, including bankers' fees, attorneys' fees and accountants' fees.

Section 9.4. Preemptive Right. At any time prior to the consummation of a Qualified IPO, if the Company proposes to sell any Equity Securities to any Person in a transaction or transactions other than (i) in connection with a Qualified IPO, (ii) Equity Securities issued in exchange for non-cash consideration in an acquisition of a business or assets from a Person not an Affiliate of any Unitholder, (iii) an issuance of Class A Units in accordance with the terms of this Agreement (including, for the avoidance of doubt, pursuant to Section 4.2) or (iv) the issuance of Class B Units or options to purchase Membership Interests or other Equity Securities pursuant to incentive equity compensation plans approved by the Board of Managers and subject to the approvals set forth in Section 6.6, any Class A Unitholder who is an "accredited investor" as defined in Rule 501(a) under the Securities Act shall have the right to purchase directly or through any Affiliate, a pro rata amount (based on such Class A Unitholder's Sharing Percentage) of such Equity Securities. Any participation pursuant to this Section 9.4 shall be on the same price, terms and conditions as applied to all offerees in the respective offering. In the event of a proposed transaction or transactions, as the case may be, that would give rise to preemptive rights of the Class A Unitholders, the Company shall provide notice (the "**Initial Notice**") to such parties no later than twenty (20) Business Days prior to the expected consummation of such transaction or transactions. Each party possessing preemptive rights hereunder shall provide notice of its election to exercise such rights within thirty (30) days after delivery of such Initial Notice from the Company. (Each party electing to exercise its preemptive right in such instance is referred to as an "**Electing Party**"). The failure of a Class A Unitholder to respond to the Initial Notice and affirmatively exercise its preemptive right in accordance with the terms of this Agreement shall be deemed an election not to exercise its preemptive right in connection with such proposed transaction or transactions, but shall not affect such Class A Unitholder's preemptive right in relation to any future transaction or transactions in accordance with this Section 9.4. If a Class A Unitholder shall elect not to exercise its preemptive right, then each Electing Party shall have the right to purchase additional Equity Securities (a "**Subsequent Purchase**"), from those securities as to which no such right was exercised, in an amount equal to such Electing Party's Sharing Percentage relative to the Sharing Percentages of the other Electing Parties. In the event of a situation described in the preceding sentence in which a Class A Unitholder elects not to exercise its preemptive right with respect to a proposed transaction or transactions, the Company shall provide notice (the "**Subsequent Notice**") of such fact within three (3) Business Days following the receipt of all of the notices concerning such elections from the parties possessing such preemptive rights. Each Electing Party shall respond to this Subsequent Notice by sending a response notice with respect thereto within three (3) Business Days after delivery of the Subsequent Notice. The failure of an Electing Party to respond to such Subsequent Notice and affirmatively exercise its preemptive right in accordance with the terms of this Agreement shall be deemed an election not to exercise its preemptive right in connection with such Subsequent Purchase, but shall not affect such Class A Unitholder's preemptive right in relation to any future transaction or transactions in accordance with this Section 9.4. At any time within thirty (30) days after the determination of the Class A Unitholders which have exercised their preemptive rights under this Section 9.4 and the amount of Equity Securities each such Class A Unitholder or its Affiliates will acquire pursuant to this Section 9.4, if there remain available any of the Equity Securities proposed by the Company as to which no preemptive right has been exercised, the Company may sell such Equity Securities to third parties not affiliated with the Company at a price and on terms and conditions no more favorable to such third parties than that set forth in the Initial Notice. After the expiration of such thirty (30) day period, if the Company has not sold the Equity Securities subject to the Initial Notice, the Company may not sell such Equity Securities without complying again with the provisions of this Section 9.4.

Section 9.5. Right of Participation.

(a) Subject to Section 9.1, in the event that at any time prior to the consummation of a Qualified IPO, CEC (in such capacity, the "**Transferring Unitholder**") proposes to Dispose of fifty-one percent (51%) or more of its Class A Units in one transaction or a series of related transactions and (i) such proposed Disposition does not constitute a Permitted Transfer and (ii) CEC does not elect to exercise its right to cause a Company Sale pursuant to Section 9.3, then such Transferring Unitholder shall offer (a "**Participation Offer**") to BROG and each other Member designated by the Managers as having rights under this Section 9.5 (a "**Participation Member**") to include in the proposed Disposition a number of each Participation Member's Units equal to the product of (A) a fraction, the numerator of which is the pro rata ownership in the Company on an Adjusted Basis represented by the Units proposed to be included in the Disposition by the Transferring Unitholder, and the denominator of which is the pro rata ownership in the Company on an Adjusted Basis of all Units owned by the Transferring Unitholder, multiplied by (B) the pro rata ownership in the Company on an Adjusted Basis represented by all of such Participation Member's Units.

(b) The Transferring Unitholder shall give written notice (a "**Participation Notice**") to each Participation Member at least ten (10) Business Days prior to the proposed Participation Sale. The Participation Notice shall specify the proposed transferee, the number of Class A Units proposed to be included in the proposed sale under this Section 9.5 (a "**Participation Sale**"), the purchase price (and if the proposed Disposition is to be wholly or partly for consideration other than cash, the Participation Notice shall state the amount of cash consideration, if any, and shall describe all non-monetary consideration), all other material terms and conditions of such proposed Participation Sale and the place and date on which such proposed Participation Sale is to be consummated. Each Participation Member who wishes to include Units in the proposed Participation Sale shall so notify the Transferring Unitholder (an "**Acceptance Notice**") not more than thirty (30) days after the date of the Participation Notice.

(c) The Participation Offer shall be conditioned upon the Transferring Unitholder's sale of Units pursuant to the transactions contemplated in the Participation Notice with the transferee named therein. If any Participation Member accepts the Participation Offer (a "**Participating Unitholder**"), the Transferring Unitholder shall, to the extent necessary, reduce the Units it otherwise would have included in such proposed Participation Sale so as to permit the Participating Unitholders to include in the Participation Sale a number of Units corresponding to the amount that they are entitled include pursuant to this Section 9.5.

(d) In any Disposition subject to Section 9.5, the aggregate consideration to be paid by the acquiring party shall be allocated to each class of Equity Securities, with such allocations determined based on the relative amount that would be distributable to such class of Equity Securities by applying Section 5.1 (including Exhibit 5.1) to such aggregate consideration (giving effect to all distributions actually made pursuant to Section 5.1 through the date of the Disposition).

(e) The Acceptance Notice of a Participating Unitholder shall include wire transfer instructions for payment of the purchase price for the Units to be sold in such Participation Sale and shall be accompanied by a limited power-of-attorney authorizing the Transferring Unitholder to transfer its Equity Securities on the terms set forth in the Participation Notice and all other documents required to be executed in connection with such Participation Sale. Delivery of an Acceptance Notice shall constitute an irrevocable acceptance of the Participation Offer by such Participating Unitholder.

(f) If, at the end of a sixty (60) day period after delivery of an Acceptance Notice (which sixty (60) day period shall be extended if any of the transactions contemplated by the Participation Offer are subject to regulatory approval until the expiration of five (5) Business Days after all such approvals have been received, but in no event later than ninety (90) days following receipt by the Transferring Unitholder of the Acceptance Notice), the Transferring Unitholder has not completed the transfer of its Equity Securities at a price and on terms and conditions no more favorable to the prospective transferee than the terms and conditions set forth in the Participation Notice, the Transferring Unitholder shall (i) return to each Participating Unitholder the limited power-of-attorney (and all copies thereof) that such Participating Unitholder executed and any other documents in the possession of the Transferring Unitholder executed by the Participating Unitholders in connection with the proposed Participation Sale, and (ii) not conduct any Disposition of its Equity Securities without again complying with this Section 9.5.

(g) Concurrently with the consummation of the Participation Sale, the Transferring Unitholder shall (i) notify the Participating Unitholders thereof, (ii) remit to the Participating Unitholders the total consideration for the Equity Securities of the Participating Unitholders transferred pursuant thereto, and (iii) promptly after the consummation of the Participation Sale, furnish such other evidence of the completion and the date of completion of such transfer and the terms thereof as may be reasonably requested by the Participating Unitholders.

(h) If at the termination of the Participation Notice Period any other Unitholder shall not have delivered an Acceptance Notice, such other Unitholder shall be deemed to have waived its rights under this Section 9.5 with respect to the transfer of its Units pursuant to such Participation Sale.

(i) Notwithstanding anything contained in this Section 9.5, there shall be no liability on the part of the Transferring Unitholder to the Participating Unitholders if the Disposition of the Units pursuant to this Section 9.5 is not consummated for whatever reason.

(j) Notwithstanding anything contained in this Section 9.5, the rights and obligations of the other Unitholders to participate in a Participation Sale are subject to the following conditions:

(i) the Transferring Unitholder and all Participating Unitholders will receive the same form of consideration with the amount per Unit being in accordance with Section 9.5(d);

(ii) no Participating Unitholder shall be required to take any action in connection with any Participation Sale that would cause such Participating Unitholder to spend money or incur liabilities (other than de minimis expenses or expenses paid by such Participating Unitholder pursuant to clause (iii) below); and

(iii) no Unitholder participating therein shall be obligated to pay any expenses incurred in connection with any unconsummated Participation Sale, and each such Unitholder shall be obligated to pay only its pro rata share (based on the aggregate consideration received for Equity Securities Disposed) of expenses incurred in connection with a consummated Participation Sale to the extent such expenses are incurred for the benefit of all such Unitholders and are not otherwise paid by the Company or another Person.

ARTICLE X

DISSOLUTION, LIQUIDATION, AND TERMINATION

Section 10.1. Dissolution. The Company shall dissolve and its affairs shall be wound up on the first to occur of the following (a "**Liquidation Event**"):

(a) the election by the Board of Managers to dissolve the Company; or

(b) entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act.

Section 10.2. Liquidation and Termination. On dissolution of the Company, the liquidator shall be a Person selected by the Board of Managers. The liquidator shall proceed diligently to wind up the affairs of the Company at the direction of the Board of Managers and make final distributions as provided herein and in the Act. The costs of liquidation shall be borne as a Company expense. The steps to be accomplished by the liquidator are as follows:

(a) As promptly as possible after dissolution and again after final liquidation, the liquidator shall cause a proper accounting to be made of the Company's assets, liabilities, and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable.

(b) The liquidator shall pay, satisfy or discharge from Company funds all of the debts (including debts owing to any Member), liabilities and obligations of the Company (including all expenses incurred in liquidation) or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the liquidator may reasonably determine).

(c) To the extent that the Company has any assets remaining:

(i) The liquidator may sell any or all Company property and any resulting gain or loss from each sale shall be computed and allocated to the Capital Accounts of the Members as provided in Section 5.2; and

(ii) With respect to all Company property that is not sold, the Fair Market Value of that property shall be determined and the Capital Accounts of the Members shall be adjusted to reflect the manner in which the unrealized income, gain, loss, and deduction inherent in property that has not been reflected in the Capital Accounts previously would be allocated among the Members under Section 5.2 if there were a taxable Disposition of that property for the Fair Market Value of that property on the date of distribution.

(d) All remaining assets shall be distributed to the Members in accordance with Section 5.1. If such distributions do not correspond to the positive Capital Account balances of the Members immediately prior to such distributions, then income, gain, loss and deduction for the fiscal year in which the liquidation occurs (and if necessary and allowable and determined to be appropriate by the Board of Managers in prior fiscal years) shall be reallocated among the Members to cause, to the extent possible, the Members' positive Capital Account balances immediately prior to such distribution to correspond to the amounts to be distributed under this Section 10.2(d).

(e) All distributions in kind to the Members shall be valued for purposes of determining each Member's interest therein at its Fair Market Value at the time of such distribution, and such distributions shall be made subject to the liability of each distributee for costs, expenses, and liabilities theretofore incurred or for which the Company has committed prior to the date of termination, and those costs, expenses, and liabilities shall be allocated to the distributee pursuant to this Section 10.2.

(f) Any distribution to the Members in liquidation of the Company shall be made by the later of the end of the taxable year in which the liquidation occurs or ninety (90) days after the date of such liquidation. The distribution of cash and/or property to a Member in accordance with the provisions of this Section 10.2 constitutes a complete return to the Member of its Capital Contribution and a complete distribution to the Member of its Membership Interest and all the Company's property and constitutes a compromise to which all Members have consented within the meaning of Section 18-502(b) of the Act.

Section 10.3. Deficit Capital Accounts. Notwithstanding anything to the contrary contained in this Agreement, and notwithstanding any custom or rule of law to the contrary, no Member shall be obligated to restore a deficit balance in its Capital Account at any time.

Section 10.4. Certificate of Cancellation. On completion of the distribution of Company assets as provided herein, the Company shall be terminated and the Members shall file a certificate of cancellation with the Secretary of State of Delaware, cancel any other filings made pursuant to Section 1.5, and take such other actions as may be necessary to terminate the Company.

ARTICLE XI

REPRESENTATIONS AND WARRANTIES

Section 11.1. Representations and Warranties of Members to Each Other . Each Member hereby represents and warrants to the Company and the other Members as follows:

(a) Such Member is acquiring its Units solely for its own account or for the account of its Permitted Transferees, for investment purposes, and not with a view to, or for resale in connection with, any distribution of Units in violation of applicable securities laws;

(b) Such Member understands that the Units have not been registered under the Securities Act or any state securities laws by reason of specific exemptions under the provisions thereof, the availability of which depend in part upon the bona fide nature of its investment intent and upon the accuracy of its representations made in this Article XI;

(c) Such Member understands that the Company is relying in part upon the representations and agreements contained in this Article XI for the purpose of determining whether the offer, sale and issuance of the Units meets the requirements for such exemptions;

(d) Such Member is, or will at the time of its initial investment in the Company be, an "accredited investor" as defined in Rule 501(a) under the Securities Act or an employee of the Company or one of its subsidiaries;

(e) Such Member (either alone or together with its advisors) has such knowledge, skill and experience in business, financial and investment matters that it is capable of evaluating the merits and risks of an investment in Units to which it is subscribing;

(f) Such Member understands that the Units will be "restricted securities" under applicable federal securities laws and that the Securities Act and the rules of the U.S. Securities and Exchange Commission provide in substance that it may dispose of the Units only pursuant to an effective registration statement under the Securities Act or an exemption therefrom, and it understands that the Company has no obligation or intention to register any of the Units thereunder; and

(g) Such Member has been furnished by the Company all information (or provided access to all information) regarding the business and financial condition of the Company, its expected plans for future business activities, the attributes of the Units being issued to such Member and the merits and risks of an investment in such Units which it has requested or otherwise needs to evaluate the investment in such Units; that in making the proposed investment decision, such Member is not relying on any representations or warranties other than any representations and warranties of the Company expressly contained in this Agreement and the representations and warranties of each other Member expressly contained in this Agreement; and that the offer to issue the Units hereunder was communicated to such Member in such a manner that it was able to ask questions of and receive answers from the management of the Company concerning the terms and conditions of the proposed transaction and that at no time was it presented with or solicited by or through any leaflet, public promotional meeting, television advertisement or any other form of general or public advertising or solicitation.

(h) The execution, delivery and performance, of this Agreement by such Member will not contravene, conflict with or result in a violation of any law, order or act of any governmental authority, provision of the certificate of incorporation, certificate of formation, certificate of limited partnership, bylaws, limited liability company agreement or agreement of limited partnership of such Member, as applicable, or any other agreement with any person. No consent or authorization of, filing with, notice to or other act by or in respect of, any governmental authority or any other person that has not been obtained on or before the Closing is required to be obtained by such Member in connection with the execution, delivery, performance, validity or enforceability of this Agreement. The execution, delivery and performance of this Agreement will not result in a violation by such Member of any requirement of law or any contractual obligation of such Member that has not been waived and will not result in, or require, the creation or imposition of any lien on any of its properties or revenues pursuant to any requirement of law or any such contractual obligation.

Section 11.2. Survival of Representations and Warranties. All representations, warranties and covenants made by each of the Members in this Agreement (including pursuant to Section 11.1) shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement, regardless of any investigation made by or on behalf of any such party.

ARTICLE XII

GENERAL PROVISIONS

Section 12.1. Notices. Except as expressly set forth to the contrary in this Agreement, all notices, requests, or consents provided for or permitted to be given under this Agreement must be in writing and must be given either by depositing that writing in the United States mail, addressed to the recipient, postage paid, and registered or certified with return receipt requested or by delivering that writing to the recipient in person, by courier, by electronic transmission, or by facsimile transmission; and a notice, request, or consent given under this Agreement is effective on receipt by the Person to receive it or, in the case of electronic transmission, upon receipt of any non-automated response. All notices, requests, and consents to be sent to a Member must be sent to or made at the addresses given for that Member on Exhibit 3.1 or such other address as that Member may specify by notice to the other Members. All notices, requests, and consents to be sent to the Company must be sent to or made at the address of the Company's principal place of business or such other address as set forth in Exhibit 3.1, or as the Company may specify by notice to the Members.

Section 12.2. **Amendment or Modification.** Notwithstanding anything to the contrary contained herein, this Agreement may be amended or modified by the Board of Managers and with the consent of CEC, including in connection with implementing an action the Board of Managers is authorized to take under this Agreement; *provided*, that without the consent of the Members adversely affected thereby, this Agreement cannot be amended or modified (i) to increase the Capital Contribution obligation of any Member hereunder or to reduce the interest of such Member in the profits or capital of the Company in a disproportionate manner relative to other Members, or (ii) in any other manner that adversely affects any Member in a disproportionate manner relative to other Members, whether in such Member's capacity as a holder of any class of Units or otherwise.

Section 12.3. **Entire Agreement.** This Agreement and the other Transaction Documents, along with any exhibits or schedules to such documents and any agreements or documents specifically referenced herein or therein, constitute the full and complete agreement of the parties hereto with respect to the subject matter hereof and thereof.

Section 12.4. **Effect of Waiver or Consent.** The failure of any Person to insist upon strict performance of a covenant hereunder or of any obligation hereunder, irrespective of the length of time for which such failure continues, shall not be a waiver of such Person's right to demand strict compliance in the future. No consent or waiver, express or implied, to or of any breach or default in the performance of any obligation hereunder shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation hereunder.

Section 12.5. **Successors and Assigns.** Subject to Article IX, this Agreement shall be binding upon and inure to the benefit of the Members and their respective heirs, legal representatives, successors, and assigns.

Section 12.6. **Governing Law; Waiver of Jury Trial**.

(a) THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, EXCLUDING ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION.

(b) THE PARTIES HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE DELAWARE CHANCERY COURT LOCATED IN WILMINGTON, DELAWARE, OR, IF SUCH COURT DOES NOT HAVE JURISDICTION, ANY FEDERAL COURT OF THE UNITED STATES OF AMERICA OR OTHER DELAWARE STATE COURT LOCATED IN THE STATE OF DELAWARE AND APPROPRIATE APPELLATE COURTS THEREFROM, AND EACH PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH DISPUTE, CONTROVERSY OR CLAIM MAY BE HEARD AND DETERMINED IN SUCH COURTS. THE PARTIES HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAWS, ANY OBJECTION WHICH THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH DISPUTE, CONTROVERSY OR CLAIM BROUGHT IN ANY SUCH COURT OR ANY DEFENSE OF INCONVENIENT FORUM FOR THE MAINTENANCE OF SUCH DISPUTE, CONTROVERSY OR CLAIM. EACH PARTY AGREES THAT A JUDGMENT IN ANY SUCH DISPUTE MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY APPLICABLE LAW.

(c) EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN (IN EACH CASE, WHETHER FOR CLAIMS SOUNDING IN CONTRACT OR IN TORT).

Section 12.7. **Severability.** If any provision of this Agreement is held to be unenforceable, this Agreement shall be considered divisible and such provision shall be deemed inoperative to the extent it is deemed unenforceable, and in all other respects this Agreement shall remain in full force and effect; *provided, however*, that if any provision may be made enforceable by limitation thereof, then such provision shall be deemed to be so limited and shall be enforceable to the maximum extent permitted by applicable law.

Section 12.8. **Further Assurances.** In connection with this Agreement and the transactions contemplated hereby, each Member shall execute and deliver any additional documents and instruments and perform any additional acts that may be reasonably necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

Section 12.9. **Title to Company Property.** All property owned by the Company, whether real or personal, tangible or intangible, shall be deemed to be owned by the Company, and no Member, individually, shall have any ownership of such property. The Company shall hold all of its property in its own name.

Section 12.10. **Public Announcements.** Neither the Company nor any Member shall issue any press release or other public statement with respect to this Agreement or the transactions contemplated hereby without reasonable advance notice of the same to the other Members and the prior written consent of CEC, unless such disclosure is required pursuant to applicable law or by order of a court of applicable jurisdiction (in which case the disclosing party shall give CEC reasonable advance notice of such disclosure).

Section 12.11. No Third Party Beneficiaries. Except as otherwise provided in Article VIII, it is the intent of the parties hereto that no third-party beneficiary rights be created or deemed to exist in favor of any Person not a party to this Agreement, unless otherwise expressly agreed to in writing by the parties.

Section 12.12. Confidentiality. Each Member will, and will cause each of its Managers, agents or other representatives to, keep confidential all non-public information received from or otherwise relating to, the Company, its subsidiaries, properties and businesses, ("**Confidential Information**") and will not, and will not permit its Managers, agents or other Representatives to, (a) disclose Confidential Information to any other Person other than (i) to another party hereto for a valid business purpose of the Company, (ii) in the case of Members who are also officers of the Company, in carrying their duties in the best interests of the Company, or (iii) in the case of CEC, (A) any Person who would be a Permitted Transferee as of the time of such disclosure so long as such Person is subject to a confidentiality agreement with respect to the Confidential Information, (B) (I) any direct or indirect general partner or managing member or any Affiliate thereof or (II) any direct or indirect limited partners or members thereof, or (C) to any Person who is a potential acquirer in connection with the exercise of its rights under Section 9.3 so long as such Person is subject to a confidentiality agreement with respect to the Confidential Information, or (b) use Confidential Information for anything other than as necessary and appropriate in carrying out the business of the Company. The restrictions set forth herein do not apply to any disclosures required by law or regulatory authority (pursuant to the advice of counsel), so long as (x) the Person subject to such disclosure obligations provides prior written notice (to the extent reasonably practicable and permitted by applicable law) to the Company stating the basis upon which the disclosure is asserted to be required, and (y) the Person subject to such disclosure obligations takes all reasonable steps permitted by applicable law (without the obligation to spend money or incur liabilities) to oppose or mitigate any such disclosure. As used herein the term "Confidential Information" shall not include information that (i) is or becomes generally available to the public other than as a result of a disclosure by a Member or its partners, directors, officers, employees, agents, counsel, investment advisers or representatives (all such Persons being collectively referred to as "**Representatives**") in violation of this Agreement, (ii) is or was available to such Member on a non-confidential basis prior to its disclosure to such Member or its Representatives by the Company or (iii) was or becomes available to such Member on a non-confidential basis from a source other than the Company, which source is or was (at the time of receipt of the relevant information) not, to the best of such Member's knowledge, bound by a confidentiality agreement with (or other confidentiality obligation to) the Company or another Person. Notwithstanding the foregoing, BROG may make all required regulatory filings regarding this Agreement and its ownership in the Company, without the consent of the Company; provided, that BROG will use commercially reasonable efforts to provide the Company with an opportunity to review any Company-related disclosures contained in such filings prior to filing.

Section 12.13. Merger. Subject to Section 6.6(d)(ii), the Board of Managers may cause the Company to merge with or into, or convert into, any other Person or exchange interests with any other Person without the separate vote of the Members, *provided,* that if such merger, conversion or exchange results in the distribution of consideration to the Members, such consideration shall be allocated and distributed in accordance with Section 10.2(d); and *provided, further*, that any such merger, conversion or exchange that results in a Company Sale shall comply with the requirements of Article IX. Any merger, conversion, or interest exchange of the Company effected in accordance with this Section 12.13 that does not result in a Company Sale shall not be deemed to cause an assignment or other transfer of the Membership Interests under this Agreement.

Section 12.14. Counterparts. This Agreement may be executed in any number of counterparts, with each such counterpart constituting an original and all of such counterparts constituting but one and the same instrument.

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IN WITNESS WHEREOF, the Members have executed this Agreement in counterparts, as of the date first above written.

BROG:

BLACK RIDGE OIL & GAS, INC.

By: /s/ Kenneth DeCubellis
Name: Kenneth DeCubellis
Title: Chief Executive Officer

CEC:

CHAMBERS ENERGY CAPITAL II, LP

By: CEC Fund II GP, LLC, its general partner

By: /s/ J. Robert Chambers
Name: J. Robert Chambers
Title: Managing Director

CEC II TE, LLC

By: Chambers Energy Capital II TE, LP, its sole member

By: CEC Fund II GP, LLC, its general partner

By: /s/ J. Robert Chambers
Name: J. Robert Chambers
Title: Managing Director

EXHIBIT 3.1

Member Addresses; Class A Unit Ownership; Class B Unit Ownership; Commitment Amounts

Member/Address	Initial Class A Units	Initial Capital Call Class A Units	Total Class A Units	Total Class B Units (Benchmark Amount)	Commitment Amount[1]
Chambers Energy Capital II, LP 600 Travis St., Suite 4700 Houston, TX 77002 Attention: Mr. Robert Finch Email: rfinch@chambersenergy.com	29,237,753.45	8,908,970.98	38,146,724.43	0	$26,726,912.93
CEC II TE, LLC 600 Travis St., Suite 4700 Houston, TX 77002 Attention: Mr. Robert Finch Email: rfinch@chambersenergy.com	3,580,574.87	1,091,029.02	4,671,603.89	0	$3,273,087.07
Black Ridge Oil & Gas, Inc. Email: ken.decubellis@blackridgeoil.com	1,727,280.44	0	1,727,280.44	1,000,000 ($0.00)	0
Total:	34,545,608.76	10,000,000.00	44,545,608.76	1,000,000	$30,000,000.00

[1] As noted in Section 4.2(b), the amounts contributed in connection with the Initial Capital Call Class A Units will reduce the Commitment Amounts listed in this column.

EXHIBIT 3.8

Form of Spousal Agreement

The spouse of the Member executing that certain Limited Liability Company Agreement of Black Ridge Holding Company, LLC, dated as of [˜], 2016 (the "**LLC Agreement**"), is aware of, understands and consents to the provisions of the LLC Agreement and each other Transaction Document that has been or will be executed by such Member or is otherwise binding on such Member, including any Grant Letter, and the binding effect of the LLC Agreement and such other Transaction Document upon any community property interest or marital settlement awards he or she may now or hereafter own or receive, and agrees that the termination of his or her marital relationship with such Member for any reason shall not have the effect of removing any Membership Interests subject to the LLC Agreement and any such other agreements from the coverage thereof and that his or her awareness, understanding, consent and agreement is evidenced by his or her signature below. Capitalized terms used but not defined in this Spousal Agreement have the meaning given to such terms in the LLC Agreement.

_____

Print Name:

EXHIBIT 5.1

1.01 Distributions. All Available Cash and, to the extent permitted under the express terms and conditions of this Agreement, non-cash property shall be distributed to the Unitholders solely at such times and in such amounts as the Board of Managers shall declare. All Available Cash and, if applicable, other property declared by the Board of Managers to be available for distribution under this paragraph 1.01 shall be distributed among the Unitholders such that the cumulative distributions made by the Company reflect the order and amount required by each of the clauses set forth below in this paragraph 1.01, subject, however, to the terms of paragraph 1.02 below and subject to Section 5.4 of this Agreement:

(a) FIRST, 100% to the Class A Unitholders, pro rata, until the Class A Unitholders have received distributions in aggregate totaling the then Class A Preference;

(b) SECOND, 90% to the Class A Unitholders, pro rata, and 10% to the Class B Unitholders, pro rata, until the sum of the cumulative distributions received by CEC pursuant this clause (b) equals 250% of the aggregate Capital Contribution of its Class A Units; and

(c) THEREAFTER, 80% to the Class A Unitholders, pro rata, and 20% to the Class B Unitholders, pro rata.

(d) Available Cash shall be distributed pro rata among the holders of Units within each class of Units in the following manner:

(i) in the case of clause (a) above, pro rata based on the relative amount of Class A Unreturned Capital Contributions; and

(ii) in the case of clause clauses (b) and (c) above, (A) pro rata among the Class A Unitholders based on the number of Class A Units outstanding, and (B) pro rata among the Class B Unitholders based on the number of Class B Units outstanding (taking into account, with respect to the Class B Unitholders, Section 5.4 of this Agreement).

(e) For the avoidance of doubt, for all purposes of this Exhibit 5.1, including for purposes of determining at any time the amount of each distribution (each, at the time of its determination, the "**Current Distribution**") to be made to the Class A Unitholders as a group and the Class B Unitholders as a group: (i) the foregoing priorities reflected in clauses (a) through (d) of this paragraph 1.01 will be applied on a cumulative basis, meaning that such priorities for each Current Distribution shall be made in the aggregate taking into account the Current Distribution and all prior distributions (including distributions made pursuant to paragraph 1.02) as well as any adjustments to such priorities on account of aggregate Capital Contributions made to the Company; and (ii) the cumulative distributions taken into account in connection therewith shall be deemed to include the Repurchase Amounts for all Repurchased Class B Units repurchased prior to the making of the Current Distribution as though such Repurchase Amounts have been previously distributed to the Class B Unitholders.

1.02 Tax Distributions. Notwithstanding Section 5.1(a), but subject to Section 5.4 and the last sentence of this paragraph, to the extent of Available Cash, the Company shall distribute to each Member at least ten (10) days before each estimated tax payment due date (April 15, June 15, September 15 and December 15) with respect to each taxable year, an amount equal to such Member's Assumed Tax Liability; *provided* that if the amount of Available Cash is not sufficient to make the foregoing payments in full, the amount that is available will be distributed in the same proportion as if the full amount were available. Distributions made pursuant to this paragraph 1.02 will be treated as advances of distributions to be made under paragraph 1.01 of this Exhibit 5.1 and will be credited against and will reduce future distributions to be made to each Member under paragraph 1.01 of this Exhibit 5.1 until such advance has been reduced to zero. Notwithstanding the foregoing, the Company shall not distribute amounts pursuant to this paragraph 1.02 in connection with (i) the allocation to a Member of income or gain attributable to or resulting from the transactions contemplated by the Debt Contribution Agreement or the Asset Contribution Agreement, (ii) a Liquidation Event or (iii) the sale of substantially all of the assets of the Company.

1.03 Certain Definitions

"**Assumed Tax Liability**" means an amount, as determined by the Board of Managers for each Member, that is equal to the excess, if any, of (i) an amount sufficient to satisfy such Member's projected deemed federal, state and local income tax liability with respect to the cumulative income, gain, loss, deductions and other items allocated to such Member for tax purposes pursuant to Section 5.2(c) of this Agreement through the end of the current fiscal quarter over (ii) the cumulative distributions made to such Member under paragraph 1.01 of this Exhibit 5.1. For each Member, the Assumed Tax Liability will be calculated based on the highest marginal combined U.S. federal, state and local tax rate, which the Board of Managers estimates is applicable to such Member (or beneficial owner of a Member if such Member is a flow-through entity for federal income tax purposes) or such other jurisdiction of residence of such Member, with respect to ordinary income and capital gains, as applicable, (taking into account (i) the deductibility of state and local income taxes for U.S. federal income tax purposes and (ii) the character (e.g., long-term or short-term capital gain or ordinary or exempt) of the applicable income) and giving effect to any prior allocations of losses.

"**BROG Contribution Amount**" means $1,727,280.40, which is the equivalent of the contribution value implied by the CEC Loan Conversion Amount of the Class A Units owned by BROG as of the date hereof.

"**CEC Loan Conversion Amount**" means $32,818,328.32, which is the equivalent of the par value (including interest paid-in-kind) of the obligations of BROG under the Second Lien Credit Agreement among BROG as Borrower, the several lenders from time to time parties thereto, and Chambers Energy Management, LP, as of immediately prior the Effective Time (as defined in that certain Debt Contribution Agreement, dated as of [˜], 2016 by and among BROG, the Company and CEC).

"**Class A Preference**" means, at any time, an amount equal to (i) the funded portion of CEC's Commitment Amount, plus (ii) the CEC Loan Conversion Amount, plus (iii) the BROG Contribution Amount, plus (iv) an amount necessary to produce a 10.0% internal rate of return on the amounts in (i), (ii) and (iii) above. The 10.0% internal rate of return will be calculated from the date hereof in the case of the Initial CEC Investment, the CEC Loan Conversion Amount, and the BROG Contribution Amount or the date of each respective subsequent investment made after Closing, in the case of each Subsequent CEC Investment.

"**Class A Unreturned Capital Contributions**" means, with respect to each Class A Unitholder at any time of determination, the aggregate amount of Capital Contributions made by such Class A Unitholder or its predecessor in interest as of such time (which, for the avoidance of doubt, shall include the Capital Contributions by each of CEC and BROG in respect of the Class A Units issued to them pursuant to the Debt Contribution Agreement and the Asset Contribution Agreement) less the cumulative amount of distributions to such Class A Unitholder or its predecessor in interest in return thereof pursuant to clause (a) of paragraph 1.01 above (for the avoidance of doubt, determined on a cumulative basis in accordance with clause (f) of paragraph 1.01 above).

"**Current Distribution**" has the meaning assigned to such term in clause (f) of paragraph 1.01 above.

"**Repurchase Amount**" means, in respect of any Repurchased Class B Unit, the amount paid by the Company for such Repurchased Class B Unit.

"**Repurchased Class B Unit**" means, at any time, any Class B Unit previously issued and outstanding that has been repurchased by the Company pursuant to the terms of any Grant Letter or otherwise.

EXHIBIT 6.2(a)

Name	Title
Phillip Z. Pace c/o Chambers Energy Capital 600 Travis St., Suite 4700 Houston, TX 77002 Email: pzpace@chambersenergy.com	Member of the Board of Managers (CEC Manager)
Brandon M. Wilson c/o Chambers Energy Capital 600 Travis St., Suite 4700 Houston, TX 77002 Email: bwilson@chambersenergy.com	Member of the Board of Managers (CEC Manager)
Ken Decubellis Email: ken.decubellis@blackridgeoil.com	Chief Executive Officer and Member of the Board of Managers (Management Manager)

Exhibit 10.4

MANAGEMENT SERVICES AGREEMENT

This **MANAGEMENT SERVICES AGREEMENT** (this "Agreement") is made and entered into as of this 21st day of June, 2016, by and among Black Ridge Holding Company, LLC ("Company"), a Delaware limited liability company, and Black Ridge Oil & Gas, Inc., a Nevada corporation ("Manager"). Company and Manager may be referred to individually herein as a "Party" and collectively as the "Parties".

WITNESSETH:

WHEREAS, Company owns certain Oil and Gas Properties (as defined in the LLC Agreement referred to below) as of the date hereof and may from time to time hereafter acquire additional Oil and Gas Properties (all such Oil and Gas Properties, collectively, the "Properties").

WHEREAS, Manager, Chambers Energy Capital II, LP and CEC II TE, LLC have entered into that certain Limited Liability Company Agreement, dated as of the date hereof (the "LLC Agreement").

WHEREAS, Company desires to engage Manager to provide certain services required by Company, including, without limitation, administrative, accounting, and technical services, and Manager is willing to accept such engagement, all upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing, the terms and provisions set forth herein and the mutual benefits to be gained by the performance thereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Services.

1.1 Company hereby engages Manager, as of April 1, 2016 (the "Effective Date"), to provide the services set forth on Schedule I (the "Services").

1.2 Manager hereby accepts the engagement provided for in Section 1.1 above and agrees to perform the duties and responsibilities set forth herein during the term of this Agreement.

1.3 Manager may engage or contract for, or cause to be engaged or contracted for, on behalf of Company, the goods and services of third-party subcontractors, suppliers, vendors and other providers to perform the Services or any part of the Services; provided that, other than with respect to Approved Third Party Expenses (as hereinafter defined), the expense and all costs payable to or otherwise incurred in connection with the retention of any such third-party service provider shall be borne by Manager. "Approved Third Party Expenses" shall include, without limitation, charges actually incurred on behalf of Company in connection with: (i) the annual audit of Company's consolidated financial statements by an independent auditor; (ii) the provision of legal services by outside legal counsel with respect to Company's legal matters; (iii) the preparation of any reserve report or engineering report by an independent petroleum engineer; and (iv) the provision of insurance protecting Company's assets and the business of Company against loss and to protect Company, its directors and officers, against liability to third parties arising out of Company's operations. At Company's election, Approved Third Party Expenses may be paid by Manager and subject to reimbursement by Company as provided in Section 2.3, or billed directly to Company from such third-party service provider. Upon request, Manager shall provide to Company all pertinent information, including copies of invoices, regarding such Approved Third Party Expenses.

1.4 Company shall provide direction to Manager where business decisions are required in the performance of the Services. Where necessary for the performance of the Services, Company shall designate Manager as its authorized agent.

1.5 Manager may not delegate its principal, decision-making authority under this Agreement to any person other than to the members of Manager management; provided, Manager may delegate the whole or any part of its other functions hereunder to any affiliate, employee or consultant of Manager. Manager shall, notwithstanding any such delegation, remain responsible for the performance of its obligations as set forth in this Agreement.

2. Performance Obligations.

2.1 The Services will be provided in a good and workmanlike manner, in accordance with standard practices of similar providers of such services to similarly situated companies engaged in the oil and gas industry.

2.2 Company shall pay Manager, as compensation for the Services, an annual fee of $2,000,000 (less any amounts in excess of $200,000 related to the items specified on Schedule II hereto) (the "Annual Fee") to be paid in equal 90-day installments (calculated on a 360-day year) of $500,000 (or such lesser amounts if the fees related to the items specified on Schedule II hereto during the course of the year have exceeded $200,000), payable in advance (the "Quarterly Fee"), during the term of this Agreement. The Quarterly Fee shall be paid on the first day of each 90-day period (the "Payment Date") by wire transfer into a bank account designated by Manager in writing. Notwithstanding the previous sentence, the first Payment Date shall be on the date hereof, and the first 90-day period shall commence as of the Effective Date. The Annual Fee shall not include any fees related to the items specified on Schedule II hereto. The Annual Fee shall be reduced by $0.75 per year for each $1.00 of management fee revenue (or any other consideration received with respect to management fees) that Manager receives from third parties after the date hereof, provided that the Annual Fee shall not be reduced below $1,000,000 per annum. The adjusted Annual Fee amount shall be paid quarterly as set forth in this Section 2.2, and no adjustments shall be made to previously paid Quarterly Fees.

In addition to the Quarterly Fee, Company shall reimburse Manager for all Approved Third Party Expenses (except for those Approved Third Party Expenses Manager elects to have billed directly to Company pursuant to Section 1.3).

2.3 Manager shall maintain adequate accounting records, which in reasonable detail fairly reflect the Services contemplated hereunder. During the term of this Agreement, Manager shall afford to Company's representatives, advisers and consultants the right (the "Audit Right") to review and examine the books and records of Manager which relate to the provisions of the Services at any reasonable time during the regular business hours of Manager. The fees and expenses of the Audit Right shall be borne by Company.

2.4 During the term of this Agreement, Manager agrees that the Company will have a co-invest right on any transactions that Manager locates, facilitates or manages for a third-party, including the right to exercise and fulfill any option Manager has to participate as a co-investor.

3. Independent Contractor Status.

3.1 Manager and all affiliates and employees of either Manager or any of its affiliates providing Services hereunder shall be engaged in a capacity as an independent contractor with full control over the manner and method of performance of the Services, subject to the limitations set forth in this Agreement.

3.2 Company understands and agrees that Manager's relationship to Company under this Agreement is strictly a contractual arrangement on the terms and conditions set forth in this Agreement, and hereby waives any and all rights that it may otherwise have under applicable law or legal precedents to make any claims or take any action against Manager's affiliates, officers, directors, members, agents or representatives based on any theory of agency, fiduciary duty or other special standard of care. Company understands and agrees that no fiduciary duty or other legal duty or obligation or special standard of care shall be imposed on Manager or any of its affiliates by virtue of this Agreement.

4. Term.

4.1 This Agreement shall remain in effect, either (i) terminated by either party after such party has provided ninety (90) days written notice or (ii) upon a Change of Control (as defined in the LLC Agreement) of Company. If this Agreement is terminated by the Company prior to January 1, 2017, the Company shall, if a positive number, pay Manager a termination fee equal to (A) $2,000,000 multiplied by a fraction, the numerator of which is the number of days remaining in the 2016 calendar year from and after the Effective Date, as adjusted to reflect a 360-day year, and the denominator of which is 360, less (B) the amount paid by the Company to Manager under Section 2.2 of this Agreement prior to the date of termination. For the avoidance of doubt, if the Company provides written notice prior to January 1, 2017 of its intent to terminate this Agreement subsequent to December 31, 2016, the Company shall not be required to pay Manager any fees other than the pro rata portion of the Annual Fee that Manager would otherwise be entitled to receive for providing Services prior to the termination of this Agreement.

5. Representations and Warranties of the Company and the Manager.

5.1 Representation and Warranty by the Manager. The Manager hereby represents and warrants to the Company the following: The execution, delivery and performance, of this Agreement will not contravene, conflict with or result in a violation of any law, order or act of any governmental authority, provision of the certificate of incorporation of bylaws of the Manager, or any other agreement with any person. No consent or authorization of, filing with, notice to or other act by or in respect of, any governmental authority or any other person that has not been obtained on or before the Closing is required to be obtained by the Manager in connection with the execution, delivery, performance, validity or enforceability of this Agreement. The execution, delivery and performance of this Agreement will not result in a violation by the Manager of any requirement of law or any contractual obligation of the Manager that has not been waived and will not result in, or require, the creation or imposition of any lien on any of its properties or revenues pursuant to any requirement of law or any such contractual obligation.

5.2 Representation and Warranty by the Company. The execution, delivery and performance, of this Agreement will not contravene, conflict with or result in a violation of any law, order or act of any governmental authority, provision of the certificate of formation or limited liability company agreement of the Company, or any other agreement with any person. No consent or authorization of, filing with, notice to or other act by or in respect of, any governmental authority or any other person that has not been obtained on or before the Closing is required to be obtained by the Company in connection with the execution, delivery, performance, validity or enforceability of this Agreement. The execution, delivery and performance of this Agreement will not result in a violation by the Company of any requirement of law or any contractual obligation of the Company that has not been waived and will not result in, or require, the creation or imposition of any lien on any of its properties or revenues pursuant to any requirement of law or any such contractual obligation.

6. Indemnification.

6.1 Indemnification by Manager. Manager will indemnify and defend Company, its directors, officers, employees, managers, equity holders, and agents and hold them harmless from and against any liability, damage, penalty, fee, cost, expense or obligation (including reasonable attorneys' fees and disbursements) arising from any breach of this Agreement by Manager or from any other action or omission by Manager in the performance of its duties hereunder, if such action or omission constitutes gross negligence, recklessness or misconduct on the part of Manager.

6.2 Indemnification by Company. Company will indemnify and defend Manager, its directors, officers, employees and agents and hold them harmless from and against any liability, damage, penalty, fee, cost, expense or obligation (including reasonable attorneys' fees and disbursements) arising from any breach of this Agreement by Company or from any other action or omission by Company in the performance of its duties hereunder, if such action or omission constitutes gross negligence, recklessness or misconduct on the part of Company.

6.3 Limitation of Liability. Notwithstanding anything in this Agreement to the contrary, neither party will have any liability to the other party for any special, consequential or punitive damages.

6.4 Third Party Claims. Manager will immediately notify Company if a claim is made by a third party with respect to (i) this Agreement, (ii) any matter arising from the Services, or (iii) any Properties that are the subject of this Agreement. Manager will propose counsel to defend any such claim and Company will have the right to approve such counsel or direct Manager to retain counsel of Company's choosing. Company will pay all expenses in connection with the defense of such claim, including counsel fees, and promptly pay, discharge and satisfy any judgment or decree which may be entered in respect of such claim, except when the claim results from Manager's negligence, misconduct or recklessness.

7. Assignment.

6.1 Neither this Agreement nor any of the rights, benefits or obligations hereunder may be assigned or delegated (whether by operation of law or otherwise) without the prior written consent of the other Parties, which consent shall not be unreasonably withheld; provided, that the foregoing shall in no way restrict the performance of a Service by a subsidiary or a third-party as otherwise allowed hereunder.

8. Miscellaneous.

8.1 Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter herein and supersedes any and all prior or contemporaneous understandings, negotiations or agreements between the Parties and shall be binding upon and inure to the benefit of the Parties hereto and their respective legal representatives and permitted successors and assigns.

8.2 Amendments and Waiver. Any amendment, supplement, variation, alteration or modification to the Agreement must be made in writing and duly executed by an authorized representative or agent of each of the Parties.

8.3 Confidentiality. Manager will, and will cause each of its officers, directors, employees, agents or other representatives to, keep confidential all non-public information received from or otherwise relating to, Company, its subsidiaries, properties and businesses ("Confidential Information"), and will not, and will not permit its officers, directors, employees, agents or other representatives to, (a) disclose Confidential Information to any other person or (b) use Confidential Information for anything other than as necessary and appropriate in carrying out the business of Company. The restrictions set forth herein do not apply to any disclosures required by law or regulatory authority (pursuant to the advice of counsel), so long as (x) the person subject to such disclosure obligations provides prior written notice (to the extent reasonably practicable and permitted by applicable law) to Company stating the basis upon which the disclosure is asserted to be required, and (y) the person subject to such disclosure obligations takes all reasonable steps permitted by applicable law (without the obligation to spend money or incur liabilities) to oppose or mitigate any such disclosure. As used herein the term "Confidential Information" shall not include information that (i) is or becomes generally available to the public other than as a result of a disclosure by Manager or its officers, directors, employees, agents, counsel, investment advisers or representatives (all such persons being collectively referred to as "Representatives") in violation of this Agreement, (ii) is or was available to Manager on a non-confidential basis prior to its disclosure to Manager or its Representatives by Company or (iii) was or becomes available to Manager on a non-confidential basis from a source other than Company, which source is or was (at the time of receipt of the relevant information) not, to the best of Manager's knowledge, bound by a confidentiality agreement with (or other confidentiality obligation to) Company or another person. Notwithstanding the foregoing, Manager may make all required regulatory filings regarding this Agreement, without the consent of Company; provided, that Manager will use commercially reasonable efforts to provide Company with an opportunity to review any Company-related disclosures contained in such filings prior to filing.

8.4 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.5 Counterparts. This Agreement may be executed by one or more of the Parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

8.6 Governing Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED, CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF THE STATE OF DELAWARE. THE PARTIES HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE DELAWARE CHANCERY COURT LOCATED IN WILMINGTON, DELAWARE, OR, IF SUCH COURT DOES NOT HAVE JURISDICTION, ANY FEDERAL COURT OF THE UNITED STATES OF AMERICA OR OTHER DELAWARE STATE COURT LOCATED IN THE STATE OF DELAWARE] AND APPROPRIATE APPELLATE COURTS THEREFROM, AND EACH PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH DISPUTE, CONTROVERSY OR CLAIM MAY BE HEARD AND DETERMINED IN SUCH COURTS. THE PARTIES HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAWS, ANY OBJECTION WHICH THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH DISPUTE, CONTROVERSY OR CLAIM BROUGHT IN ANY SUCH COURT OR ANY DEFENSE OF INCONVENIENT FORUM FOR THE MAINTENANCE OF SUCH DISPUTE, CONTROVERSY OR CLAIM. EACH PARTY AGREES THAT A JUDGMENT IN ANY SUCH DISPUTE MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY APPLICABLE LAW.

8.7 WAIVERS OF JURY TRIAL. EACH OF THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY RELATED AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

8.8 Further Assurances. The Parties agree to take such actions and execute and deliver such other documents or agreements as may be necessary or desirable for the implementation of this Agreement and the consummation of the transactions contemplated hereby and thereby.

8.9 Titles and Subtitles. The article and section headings contained in this Agreement are inserted for convenience only and will not affect in any way the meaning or interpretation of this Agreement.

8.10 Construction. The Parties hereto have jointly participated in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties hereto and no presumption or burden of proof will arise favoring or disfavoring any Party hereto because of the authorship of any provision of this Agreement.

8.11 Survival. All covenants, agreements, representations and warranties made in this Agreement shall survive the execution and delivery of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement effective as of the date first above written.

BLACK RIDGE HOLDING COMPANY, LLC

By: /s/ Ken DeCubellis
Name: Ken DeCubellis
Designation: Chief Executive Officer

BLACK RIDGE OIL & GAS, INC.

By: /s/ Ken DeCubellis
Name: Ken DeCubellis
Designation: Chief Executive Officer

SCHEDULE I

SERVICES

Accounting Dept.

- Ongoing Management of Well Activity[1]
  - Process Revenue Checks Monthly
    - Summarize Revenue by Operator Monthly by Well by Revenue Source– One Month Delay
      - Research and Manage Major Trends and Shifts in Production and Sales Price
  - Process JIB's and Prepare Check Runs
    - Summarize Expenses Monthly by Operator by Well by Expense Category –Two Month Delay
      - Research and Manage Development Projects
      - Research and Manage Major Trends and Shifts in LOE

- Manage Cash Flows
  - Prepare Cash Flow forecast as needed
  - Monthly Operating Bank Account Reconciliations

- Prepare and Update Revenue and Expense Forecasts as Needed
  - Project Monthly Revenue Forecast - Summarized by Quarter by Year – Two Years Forward
  - Project Monthly Development Cost Forecast - Summarized by Quarter by Year – Two Years Forward
  - Project Monthly Lease Operating Expense Forecast - Summarized by Quarter by Year – Two Years Forward

- Prepare Quarterly Financial Reports
  - Prepare Quarterly Balance Sheet, Income Statement, and Cash Flow
    - Calculate and Reconcile Accounts Payable and Accounts Receivable
    - Account for and Reconcile Acquisition and Development Costs
    - Calculate ARO Liability
    - Calculate Capitalized Expenses including Interest
    - Calculate Depletion Expense
    - Calculate, Reconcile and Amortize Loan Origination and Debt Issuance Costs
    - Account For Prepaid Operator Expenses

- Prepare Annual Financial Statements
  - Summarize and Update All Monthly and Quarterly Calculations
  - Prepare Impairment Calculations
  - Prepare Work Papers for Auditors
  - Manage Audit Process
  - Coordinate and Review Tax Returns prepared by Tax Accountants

[1] NTD: To be discussed requirements for ongoing reporting, across the board

- Recommend and Manage Hedging Activity
  - Recommend, Coordinate, and Execute Hedge Contracts
  - Account for Monthly Payments or Receipts
  - Calculate and Account for Quarterly Asset/Liability

- Assist in Banking Transactions
  - Recommend Draw and Payment Requests
  - Provide Information for Borrowing Base Redeterminations

- Manage Semi Annual Reserve Report Preparation
  - Coordinate with External Reserve Engineers (3rd party engineer costs not included)
  - Provide Well Start Updates
  - Provide Production Updates
  - Provide LOE expense History
  - Provide Sales Price and Differential History
  - Review Reserve Report Drafts

Land Department

- Maintenance of existing leases
  - Expiration/renewal management
  - Lease term compliance
  - Lessor relations
  - Monthly net acreage reports
- Maintenance of existing wells
  - Review/execution of WI/NRI percentages and related documents
  - Review/execution of workover AFEs
  - Operator relations regarding production plans, workovers, recompletions, pumping methods, oil/gas/water takeaway
  - Daily and monthly gross/net production reports and projections (with Accounting Dept)
  - Prepare monthly visible wells report showing gross net wells producing, developing and permitted.
  - Support 3rd party reserve engineer and accounting dept. with semi-annual reserve report
- Assessment of New Drilling Opportunities (i.e. AFEs on existing acreage)
  - Operator contact for development plan
    - spud date
    - completion date
    - completion design
    - updated cost expectations

- EUR Assessment
  - Analyze surrounding wells
  - Make necessary adjustments for completion design and well vintage
  - Provide EUR range to band IRR expectations
- IRR Modeling
  - Provide an expected IRR range based on a multivariable financial model to include:
    - EUR
    - Drilling/Completion Capex
    - Oil & Gas Price Decks
    - Oil & Gas Differentials
    - Taxes
    - Fixed/Variable LOE
    - Drilling/Completion Timing and Capex Incurrence
- Timely consent/execution of AFEs within 30-day requirement.
- Divestment Services
  - Should a new AFE not reach internal IRR hurdles, land dept. will utilize non-op network to divest wellbore or acreage at acceptable prices

· Acquisition Opportunity Assessment
- For new deal opportunities reviewed by the land department, we will:
  - Execute NDAs under acceptable terms
  - Engage 3rd party reserve engineers to assist in valuation, as necessary (3rd party engineer costs not included)
  - Prepare PowerPoint presentations summarizing acreage location, EURs, offset development, size, cost, and IRR expectation
  - Prepare a well-level financial model in Excel incorporating the same variables as in the IRR Modeling above
  - Provide a recommendation to pursue opportunity or pass on opportunity.
- Monthly Opportunities Summary, to include:
  - Seller
  - Acreage Location
  - Size (net acres & working interest)
  - Sales Price
  - Total Acquisition Cost
  - Summary of Acquisition Decision

- Acquisition Services
  - Execute PSA agreements on acceptable terms, utilizing legal counsel as necessary (3rd party legal costs not included)
  - Complete land due diligence utilizing 3rd party landmen as needed (3rd party landmen costs not included)
  - Assist accounting department in financial due diligence
  - Engage 3rd parties to complete environmental assessments as needed (3rd party environmental consultant costs not included)
  - Review and execution of final documents at closing
  - Integration of new wells/acreage into Excalibur
  - Initiate operator contact to ensure migration of all acquired assets from seller to Black Ridge
- Accounting Dept. Joint Projects
  - Provide production volumes, cost updates and well start dates for company model
  - Engage operators of Black Ridge assets for projected timelines on future development projects
  - Cure operator revenue/JIB billing issues
- Macro Projects
  - Continual assessment of Bakken performance/outlook from:
    - Operator Contacts/Meetings
    - NDIC
    - ND Pipeline Authority
    - Corporate presentations
    - Industry events
    - Non-op relationships
    - Data mining

Infrastructure

- Employee and board compensation, benefits, insurance and payroll taxes
- Office rent, computer systems, copier, postage
- Excalibur accounting system
- Subscriptions
- Reasonable Travel expenses (could need additional depending on amount of acquisition work)
- Additional accounting headcount could be needed depending on scale of new acquisitions

SCHEDULE II

- Well environment insurance consistent with coverage held in current policy's held by Black Ridge Oil & Gas, Inc.
- Annual State Licenses
- Audit Fees include annual audit of Black Ridge Holding Company LLC
- Tax Work includes annual filing of LLC Federal and State Tax returns and supporting schedules
- Reserve Engineering includes one internally contracted mid-year engineering reserve report and a year-end 3rd party engineering reserve report
- Outside legal fees, to the extent they are related to the normal day-to-day operations of Black Ridge Holding Company, LLC. Explicitly excluded from this Schedule are legal fees associated with debt restructurings/amendments, mergers & acquisitions, and extraordinary title or operator disputes. Any incurred legal fees related to these exclusions shall be agreed to between the parties.

EXHIBIT 31.1

SECTION 302 CERTIFICATION

EXHIBIT 31.1
CERTIFICATION

I, Kenneth DeCubellis, certify that:

1. I have reviewed this report on Form 10-Q of Black Ridge Oil & Gas, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: August 15, 2016

/s/ Kenneth DeCubellis
Kenneth DeCubellis, Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

SECTION 302 CERTIFICATION

EXHIBIT 31.2
CERTIFICATION

I, James A. Moe, certify that:

1. I have reviewed this report on Form 10-Q of Black Ridge Oil & Gas, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 15, 2016

/s/ James A. Moe
James A. Moe, Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

SECTION 906 CERTIFICATION

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Black Ridge Oil & Gas, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2016 (the "Report") I, Kenneth DeCubellis, Chief Executive Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 15, 2016

/s/ Kenneth DeCubellis
Kenneth DeCubellis, Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 32.2

SECTION 906 CERTIFICATION

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Black Ridge Oil & Gas, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2016 (the "Report") I, James A. Moe, Chief Financial Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 15, 2016

/s/ James A. Moe
James A. Moe, Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.